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# China Report

ECONOMIC AFFAIRS



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15 November 1985

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## NATIONAL POLICY AND ISSUES

### JINGJI YANJIU DISCUSSES OSSIFIED ECONOMIC SYSTEM

HK100805 Beijing JINGJI YANJIU in Chinese No 8, 20 Aug 85 pp 59-65

[Article by Wang Zhuo [3769 3820] of the Structural Reform Office of the Guangdong Provincial People's Government: "Theory Based on a Natural Economy or Theory of an Economy Based on Planned Products?"]

[Text] What is the theoretical foundation of the ossified economic system in our country? Only by clarifying this question can we grasp the main problems in reforming our economic structure and answer the question as to where to begin in reforming the ossified system.

In 1979, I started to suggest that the theoretical foundation of the ossified economic system is the traditional theory uniting commodity economics and planned economics (simplified to theory on the economics of planned products). However, Comrade Liu Guoguang [0491 0948 0342] had a different view, holding that the theoretical foundation of an ossified system is not a theory on the economics of planned products, but is a theory on unplanned and natural economics. He held: "Our country's former economic system was a system of planned economics which was overconcentrated and in which administrative measures took precedence and eliminated market mechanisms. An important theoretical foundation of this system is that it denies that socialist economics possesses the nature of a commodity economy and denies the 'theory of natural economics' which holds that planned economy must adhere to and apply the law of value." (Liu Guoguang: "Break Through the Ideology of a Natural Economy, Establish the Concept of a Commodity Economy," RENMIN RIBAO, 16 Nov 1984) Which is the theoretical foundation of an ossified system: The theory of an unplanned and natural economy which is lagging behind the full developmental stage of socialist economics, or the theory of an economy based on planned products which has advanced far beyond the full developmental stage of socialist commodity economics? In studying and answering this question, we must not proceed from one concept, but must seek an answer from the history of the theoretical and practical development of the ossified system.

#### Ideas of Marx and Engels on Socialist Economic Patterns

Marx and Engels are the founders of the theory of an economy based on planned products, which also means an economy based on the planned production of products. However, the formation of an ossified system does not arise from

the theory of an economy based on the planned production of products set out by Marx and Engels, but from "leftist" dogmatism which does not proceed from actual socialist practice. Comrade Liu Guoguang also held that the Marx's and Engels' conception of a socialist economy is the theory of a product economy, but he held: "Whether from the point of view of the historical background or the actual situation, it is the concept of a natural economy and not the concept of a product economy which affects actual life. Nevertheless, the banner of the 'concept of product economy' is still hoisted in theory. Some people even think that they are really working in accordance with the theory of product economy as stated by Marx." (Liu Guoguang, Zhang Zhuoyuan [1728 0587 0337], and Mao Tianqi [0379 1131 0796]: "Several Questions on Sun Yeifang's Theory of Reform of the Economic System," JINGJI YANJIU, No 8, 1983]

The conception of the mode of socialist economics in the works of Marx and Engels can be summarized into three points: 1) The form of public ownership of the means of production and the internal structure of production relations, and the implementation of the unitary system of ownership by the whole people. The basic characteristic of the internal structure of this system of ownership by the whole people is that the society is a big enterprise and there is only one level in the economy of the society. 2) The form of social production, which assumed that product production will replace commodity production when socialist social commodity production dies. The basic characteristic of product production is direct social labor, direct social production, and direct product distribution. 3) The system of regulation of social economic activities, which predicts that conscious social regulation will take the place of spontaneous social regulations; that is, replacing a market economy with a planned economy, replacing internal anarchism over social production with internal planned development of production, which show that the realm based on social needs has proceeded to the realm of freedom. Marx's and Engels' conception of the mode of the socialist economy is the mode of planned economics based on product production on the basis of a unitary system of ownership of the means of production by the whole people.

The theoretical foundation of the mode of a planned economy based on product production is the theory of an economy based on planned products. The basic content of the theory of an economy based on planned products is the theory of direct social labor, the theory of direct social production, and the theory of direct product distribution.

In actual practice, what are the basic characteristics of the mode of an economic system based on planned product production which is consciously formed under the guidance of the theory of an economy based on planned products?

1. The target of planned management of this system is product production (a product economy) and not production of commodities (a commodity economy). The direct target of state planned management is circulation of the reproduction of enterprises--supply, production, and marketing--eliminating the role of market regulation and the law of value under the control of macroeconomic planning. Thus, enterprises have no right to arrange for material



compensation for their reproduction, which is centrally controlled by state plans. The state is also responsible for compensation for the value of the reproduction of enterprises; it objects to the enterprises adopting a system of being solely responsible for their own profits and losses. The so-called system of economic accounting of enterprises in fact means "enterprises doing the accounting, but the state is responsible for profits and losses."

2. This system recognizes that distribution is "direct distribution," which means product distribution. A system of product allocation is implemented as far as the major means of production are concerned; centralized procurement is implemented as far as the first and second categories of agricultural and sideline products are concerned; and the major industrial consumer products are centrally purchased. This form of product distribution takes the place of commodity circulation. A limited portion of consumer goods which are allowed to enter the scope of commodity circulation are always blockaded, obstructed, and broken up by the administrative regions and departments and urban and rural divisions, thus posing more difficulties for shifting this portion of labor products into commodities.

3. Macroeconomic control of this system focuses mainly on controlling the material balance of products and not on the balance of the value of the commodities. Thus, this system lacks effective macroeconomic control over the balance of the distribution of national income, which restricts the overall situation of national economic activities and lacks powerful macroeconomic regulation over the total supply and demand of the society. This gives rise to frequent and affordable expansion in social demand for the means of production or the means of production of consumer goods, leading to a situation where social demand exceeds supply and there is a shortage of social materials. Under certain circumstances, a serious imbalance in the industrial structure can appear, which accelerates the imbalance between supply and demand.

Our country's former economic system was gradually established based on the Soviet system of the early 1950's, although we have made certain minor reforms in the meantime which have added Chinese characteristics. Our economic system has not yet broken through the mode of the Soviet system of the early 1950's. The economic system of the Soviet Union in the early 1950's was a planned economy based on product production. The theoretical foundation for this system was the theory of an economy based on planned products, but not a "theory of a natural economy," which hoisted the banner of the "theory of a product economy."

Theoretically, the Fundamental Breakthrough in Restructuring the National Economy Is Breaking Through the Theory of an Economy Based on Planned Products

Several "leftist" tendencies have appeared in our country's work in guiding the economy, all directed against commodity economics. The reason is that we have erroneously identified socialist commodity economics as capitalism. The principle of "large in size and collective in nature" was advocated on the question of ownership; the management method of "more plots for private use,

more free markets, more enterprises with sole responsibility for their own profits or losses, and setting output quotas on a household basis" was criticized; the so-called principle of giving primary significance to planning and secondary significance to prices, as well as the long-term implementation of price policies which caused prices to deviate from value; agricultural products were centrally procured; major means of production for industry were allocated; centralized procurement and marketing of means of subsistence of the major industrial products was implemented; mandatory production plans were assigned to the enterprises in order to control product balance and achieve the demand for product distribution; and administrative orders were used to command the kind and quantity of production of state-owned enterprises and collective enterprises of the peasants, who were forced them to sell or allocate these products in accordance with the stipulated prices. The theoretical foundation of this ossified system which suppresses the vitality of the state-owned enterprises and collective enterprises of the peasants is the theory of direct social labor, the theory of direct social production, and the theory of direct product distribution. These three theories are the basis for the theory of an economy based on planned products. Our country's existing planned system is that the state organs represent the whole society and exercise control over production, supply, and marketing of the enterprises and control over human, financial, and material resources. This is based on the theory of an economy based on planned products. This has nothing to do with the theory of a natural economy.

In our country's socialist agricultural economy, a portion of self-sufficient production exists. This is determined by the level of production development which is specifically fixed. In order to turn such self-sufficient production into commodity production, we must rely on developing the productive forces and pushing forward the simultaneous development of professions and commodities.

The transition from self-sufficient production to the production of commodities is a natural process in economic development. The problems of restrictions in self-sufficient production or elimination of commodity production do not exist at all. The facts of historical development have proved that commodity production is a great dynamic force which pounds and replaces self-sufficient production. Self-sufficient production definitely cannot swallow commodity production. During the 30 years before the 3d Plenary Session of the 11th CPC Central Committee, as far as agriculture is concerned, the speed of transiting from self-sufficient production to commodity production was very slow, and there was only a very small percentage of agricultural commodities, thus delaying the pace of the advance of the entire national economy. The fundamental reason for this situation has nothing to do with self-sufficient production itself or because the theory of a natural economy has not been abolished; the problem lies in the price system of agricultural products, which has been formulated in accordance with the theory of an economy based on planned products and in the state economic management in the rural areas. It is the theoretical guidance of the theory of an economy based on a planned economy which forms this planned economy based on product production and its system.

Restructuring of the national economy of our country obtained initial great results in the rural areas. The most significant breakthroughs are the breakthrough in the price system of agricultural products, breakthrough in the traditional mode of a collective economy, and the breakthrough in the centralized procurement system of agricultural production. These three breakthroughs are great milestones in our country's reform of the rural economy. The reform of the price system mainly raises the prices of grain and other major agricultural and sideline products, eases the problems arising from price deviations due to value which violates the principle of equal exchange, and appropriately readjusts grain procurement tasks of certain regions. As far as policy is concerned, this has proved the obstruction in the development of a commodity economy; as far as material benefits are concerned, it has motivated the peasants' enthusiasm in developing commodity production. In light of this, we can see that reform of the rural economy has obtained initial breakthroughs in reform of the price system. This is also an important victory in breaking through the theory of an economy based on planned products. As far as the traditional mode of collective economy is concerned, we have broken through the theory of an economy based on planned products, which advocated unity of ownership rights and management rights. We have implemented the theory of a planned commodity economy, which separates ownership rights from management rights. We have established the responsibility system of contracted production, enabling contractors to become managers of commodity production. They also control surplus commodities produced in economy assigned production quotas. In light of this, reform of the rural economy begins with breaking through the theory of an economy based on planned products and smashing the traditional mode of a collective economy. Thus, eradicating various restrictions in developing diversified management and a division of labor, forcefully pushing forward the transition of a certain portion of self-sufficient production to form a professional, socialized, and modern commodity economy. At present, the country's rural areas are reforming the system of centralized procurement of agricultural products. This has fundamentally broken through the restrictions of an economy based on planned products, and it symbolizes that our country's rural economy has proceeded on the track of a planned commodity economy.

In view of Marx's classical works and historical facts, the teachers of the proletarian revolution have never put forth the theory or policy of developing a socialist natural economy. Naturally, the existence of self-sufficient production gives rise to the concept of a natural economy which is influential to a certain extent in the society. Nevertheless, the ossified economic system is a product of the traditional theory of an economy based on planned products and is absolutely not a product of the theory on a natural economy.

We can see attempts in our country's history to push forward a natural economy on the basis of a public ownership system, but they occurred during the Taiping Heavenly Kingdom which was more than a century ago. After establishing its capital in Nanjing and under the instruction of Hong Xiuquan, the Taiping Heavenly Kingdom promulgated the "system of ownership of land by the heavenly rulers," which was the government guideline of the Taiping Heavenly Kingdom. The basic contents of this guideline includes:



1. Abolition of the private ownership system of feudal land and implementation of public ownership of land. It stipulated that "all land under the sun should be plowed by all men under the sun," in order that "people share the rice, share the clothes, and share the money, so that equality will be everywhere and no one will be cold or hungry." It was also stipulated, on the basis of public ownership of land, that land should be divided into nine grades in accordance to the per unit yield. Each was to be assigned half the good and half the bad land, and land was to be equally distributed to all men and women in accordance with the size of the family.

2. Establishment of the system of sacred storage houses which upheld egalitarianism. The so-called sacred storage house was in fact an organ of the Taiping Heavenly Kingdom for carrying out distribution of social products in accordance with the principle of egalitarianism, and an organ to collect all surplus products on behalf of the country. The "system of ownership of land by the heavenly rulers" stipulated: "A sacred storage house is to be established for every 25 households... with two Sima [si ma 0674 7456] officials in charge. During the time of harvest, the two Sima officials will supervise the team leader in distributing new crops among the 25 households. The remaining crops are to be kept in the sacred storage house. All are to be kept likewise--wheat, beans, hemp, cloth, hens, dogs, and money. All should not accept private properties, all should belong to the god who decides the application. All areas under the sun will have equal shares and everybody will be warm and full."

3. The implementation of a natural economy on the basis of public ownership. The "system of ownership of land by the heavenly rulers" stipulated: "Mulberry must be planted under the walls in all areas under the sun and all women must sew clothes. All households under the sun will have five hens and two pigs." It also stipulated: "The army captain and soldiers concerned will be responsible for carpentry and stone masonry for every 25 households. Such work should be done during slack agricultural seasons."

"The system of ownership of land by the heavenly rulers" portrayed an ancient picture of a natural economy: Each household was a single unit, each household carried out production on the piece of land assigned to it, and there was no market, no exchange, and no social division of labor. All women had to spin and knit cloth for their own family members. All necessary agricultural sideline products and handicraft products needed in production and daily life had to be made during slack agricultural seasons. The Taiping Heavenly Kingdom attempted to organize social production within the ancient convention of a natural economy, eliminated commodity economy, negated a social division of labor, and attempted to reconsolidate a natural economy which had begun to collapse then on the basis of public ownership of land. All this violated objective economic laws. Thus, although the "system of ownership of land by the heavenly rulers" portrayed beautifully the picture of an ancient natural economy and had meticulous regulations, it was only utopian ideology which violated economic laws. It was a kind of economic regression and thus was an empty scheme which could never be achieved.

Historical facts have shown that in the Soviet Union, there was a traditional concept that commodity circulation would hinder the transition from socialism to communism. In our country, there is an idea that commodity exchange and the eight-grade salary system will easily restore capitalism, always treating commodity economy as the "tail" of capitalism and always attempting to bypass the developmental stage of commodity economy and replace commodity economy with a product economy at an early date. In light of this, we see that the traditional concept of opposing and restricting commodity economy does not come from the theory of natural economy which is lagging behind the developmental stage of commodity economics, but comes from the theory of an economy based on planned products which has bypassed the developmental stage of commodity economics and attempts to accelerate the transition to the advanced stage of communism. In view of Marx's theory of recognition, this is a "leftist" trend in which ideology surpasses a certain stage of development of the objective process.

#### Correctly Distinguish the Two Different Economic Categories of Social Production and the System of Economic Regulations

Our country's ossified system belongs to the mode of planned economics based on product production. Its theoretical foundation is the theory of an economy based on planned products. On the one hand, Comrade Liu Guoguang held that our country's previous economic system was that of a planned economy, but on the other hand, he held that the theoretical foundation of such a planned economy is the theory of natural economy. (Liu Guoguang: "Break Through the Ideology of a Natural Economy, Establish the Concept of a Commodity Economy," RENMIN RIBAO, 16 November 1984) If the theory of a natural economy is taken as the theoretical guidance, there should be the formation of a natural economy. But why is there the formation of a planned economy? Comrade Liu Guoguang has not answered this question. He has confused a natural economy with a planned economy, and this is a logical confusion in theory. The crucial reason for creating this confusion is that it has not been understood that the form of social production and the system of economic regulation are two different economic categories.

The form of social production means the form adopted among the producers of social production to establish economic relations. There are three forms of social production in human society: the form of self-sufficient production, the form of commodity production, and the form of product production. As far as the system of economic regulation is concerned, it does not mean the economic formation of society, but means the system of regulation of the development and operation of social production. There are three different systems of economic regulation in human society: natural economy, market economy, and planned economy.

Why do we say that there is no integration between planned economy and self-sufficient production and that we can only achieve integration of planning with commodity production or product production in different stages of historical development? To answer this question, we must carry out an analysis of the development of social production and its replacement, and

also make an analysis of the development of the system of economic regulation and its replacement.

The various forms of social production constitute contradictions in the form of social production. They oppose each other and one transforms the other. The transition procedure is from self-sufficient production to commodity production, and then from commodity production to product production. Various systems of economic regulation also constitute contradictions in the system of economic regulation. They also oppose each other and one transforms the other. The transition procedure is from a natural economy to a market economy, and then from a market economy to a planned economy.

The change in the contradictions in the forms of social production and the change in the contradictions in the system of economic regulation have two points in common: First, they reflect the different situations of the social productive forces and production relations; second, the historical progress of the contradictions are dependent on the development of the social productive forces and production relations. However, the change in the contradictions in the form of social production and the change in the contradictions in the system of economic regulation have two differences: First, one form of social production can exist in various systems of economic regulation; for example, the form of commodity production can exist in three systems of economic regulations. Second, the pace of their development in history is different; for example, self-sufficient production can change to commodity production. This does not imply that a natural economy changes to a market economy simultaneously. When a market economy changes to a planned economy, this does not imply that commodity production changes simultaneously to product production. Thus, social production and the system of economic regulation do not constitute contradictions. They are not opposites, but organic integration under certain circumstances which allows separation under other special circumstances.

Why, then, can the form of social production and the system of economic regulation integrate and unite under certain circumstances? In a society which takes self-sufficient production as the general form of social production, the process of social reproduction does not need social regulation (including spontaneous market regulation and conscious planned regulation). Typical self-sufficient production is carried out in the narrow scope of small production units. An internal division of labor in the production units has not been expanded to a social division of labor within society. The proportion of internal division of labor in small production units is naturally regulated by the sex and age of the products and seasonal changes. Therefore, self-sufficient production definitely integrates with natural economy and does not need any social regulation. It does not need market regulation and cannot possibly integrate with a market economy to form a market economy based on self-sufficient production. It does not require planned regulation and cannot possibly integrate with a planned economy to form a planned economy based on self-sufficient production. In a society where commodity production is taken as the general form of social production, social regulation is needed to objectively achieve circulation of social

reproduction due to large socialized production. However, different ownership systems of the means of production determine the different nature and forms of such social regulation. For instance, a capitalist private ownership system determines the implementation of spontaneous social regulation and has the form of a market economy; on the other hand, a socialist public ownership system determines the implementation of conscious social regulation and takes the form of a planned economy. Thus, due to differences in the ownership system of the means of production, commodity production can integrate with various systems of economic regulation. Under the socialist conditions, commodity production integrates with a market economy to form a market economy based on commodity production. On the basis of a socialist public ownership system, commodity production integrates with a planned economy to form a planned economy based on commodity production. Product production adopts direct production and direct distribution by the society without having to be concerned with value. It does not need markets; thus, a market economy does not exist. Therefore, it definitely integrates with a planned economy to form a planned economy based on product production. It cannot possibly integrate with a market economy to form a market economy based on product production.

We can take two basic views based on the analysis of the form of social production and system of economic regulation: 1) Under the conditions of socialist production, there can be three modes of organic integration of the form of social production and the system of economic regulation--the mode of a market economy based on commodity production, the mode of a planned economy based on product production, and the mode of a planned economy based on commodity production. 2) On the basis of a socialist public ownership system, the relationship between commodity production and a planned economy is that of unity which allows natural organic integration. It is natural because the situation of the socialist productive forces and production relations determine that there are natural relations between commodity production and the planned economy. There is organic integration because the target of regulation of a planned economy is socialist commodity production. Socialist commodity production objectively requires the implementation of conscious social regulation; that is, the implementation of a planned economy. There is unity because the implementation of the planned economy and development of commodity production on the basis of public ownership are in line with each other. There are, of course, certain contradictions, but these contradictions can be solved by means of macroeconomic regulation.

As far as the relationship between a planned economy and commodity production is concerned, I think we must have two arguments: First, the traditional argument that the implementation of a planned economy will definitely eliminate commodity production and only product economy can be implemented; second, the argument that it is necessary to eliminate a planned economy in order to develop commodity production and that only a "market economy which is totally under market regulation" can be implemented. I believe that only by creating and developing the theory of unity between socialist planned economy and commodity production can we fundamentally break through the theory of an economy based on planned products and can we effectively resist the theory of a market economy which is in a state of anarchism, thus paving way for the



establishment of a planned economy based on commodity production and the abandonment of the ossified planned economy based on product production.

Comrade Liu Guoguang said: "If we think that the mistake is caused by premature implementation of a product economy, this will easily mislead people to regard reactions to the ideology of a feudal natural economy on large socialised production as the good intentions of a small number of people."

(Liu Guoguang, Zhang Zhuoyuan, and Mao Tianqi: "Several Questions on Sun Yefang's Theory of Reform of the Economic System," JINGJI YANJIU, No 8, 1983) I disagree with this argument. This argument neither copes with the history of the Soviet Union or the actual situation of China. It has also put forth a new question: Is an ossified economic system a product of our implementing, in guidance ideology, a product economy which has advanced far ahead of the commodity economy or a product of implementing a natural economy which lags behind the stage of development of the commodity economy? This is the point from where we should begin to reform the economic structure and from which we can get rid of the ossified system. This is also the reason why we must seriously study the theoretical foundation for the ossified system.

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NATIONAL POLICY AND ISSUES

GU MU DISCUSSES CHINA'S OPENING UP POLICY

HK260209 Beijing ZHONGGUO XINWEN SHE in Chinese 0907 GMT 22 Sep 85

[Report: "Gu Mu Speaks on the General Trend in China's Opening Up to the World"]

[Text] Beijing, 22 Sep (ZHONGGUO XINWEN SHE)--Since this summer, China's opening up to the world and China's reform have again become "hot topics" for people abroad. Opinions overseas differ on whether China will "change" its policy of opening up to the world, whether China will again "close up" or "continue to open up." On this question, Gu Mu, state councillor overseeing China's efforts to open up to the world, said solemnly: "China will resolutely carry out its policy of opening up to the world. If there are some changes in the future, the changes will only be those which are beneficial to China's further opening up to the world and beneficial to our work of opening up to the world. This is the general trend in China's opening up to the world." "We understand that some people abroad still doubt our policy of opening up to the world, but the situation in China is not the same as what they think."

Issue No 35 of "LIAOWANG," a weekly magazine, which will be published tomorrow, carries an interview with Gu Mu by "LIAOWANG" correspondents. It is entitled: "China Will Advance Toward the Goal of Further Opening Up to the World."

When discussing how the work of opening up to the world is developing more widely and deeply, Gu Mu disclosed that there is a strong demand for the opening up of China's hinterland to the world. China's hinterland is huge and has rich natural resources. It also has advantages over the coastal areas. At present, if foreign businessmen are willing to come to the hinterland to invest in development projects or projects which will be able to import advanced technologies and create enormous economic results, they can receive "special approval for a special case." After the projects have been approved by the relevant central department, the foreign businessmen can enjoy preferential treatment.

As for how to look at some of the recent measures adopted by China to strengthen its administration, Gu Mu said those measures apply throughout the country, not just in the special economic zones and coastal cities which are

open to the outside world. He admitted that some special economic zones and coastal cities which are open to the outside world have had some difficulties with funds and foreign exchange, so their pace of doing business with the outside world will probably be slowed down. He stressed: Last year we moved very fast and now we have slowed down a bit. We need some time to sum up experiences in order to advance more resolutely and confidently in the future.

Gu Mu also disclosed that the Chinese Government has conducted a study on the question of remitting profits gained by enterprises with foreign investment in foreign currencies to foreign businessmen abroad. The Chinese Government has now agreed in principle and asked the relevant departments to formulate appropriate administrative measures.

Gu Mu said the state is also considering accepting commercial loans from foreign countries for those areas which have greater ability to absorb and digest foreign funds and technologies and for those projects which can create good economic results.

Gu Mu says that China runs joint ventures in foreign countries through cooperation with foreign businessmen or contracts projects in foreign countries in order to reinforce China's economic contacts with other countries in the world. This is also a good way to increase foreign exchange earnings. He gave some examples: Last year, the Ministry of Forestry sent people to work in the Amazon basin in Brazil, jointly running two timber mills with the local businessmen there. The result was good. Nantong City has made use of its traditional superiority in the textile industry by cooperating with local businessmen and jointly running a textile mill in Barbados, in the Caribbean. By the end of June 1985, Shanghai City had established 13 joint ventures abroad. These were all approved by the state. Seven of the 13 joint ventures are now operating. Tianjin City is planning to run 10 joint ventures abroad in the near future. Gu Mu added: "We have gained initial experience in this respect and we will try to make more progress in the future."

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NATIONAL POLICY AND ISSUES

PRC WILL CENTRALIZE MANAGEMENT OF BULK IMPORTS, EXPORTS

HK181423 Beijing ZHONGGUO XINWEN SHE in Chinese 1220 GMT 15 Oct 85

["Jia Shi Says That Centralized Management of Bulk Import and Export Commodities Will Be Carried Out"--ZHONGGUO XINWEN SHE headline]

[Text] Guangzhou, 15 Oct (ZHONGGUO XINWEN SHE)--Jia Shi, vice minister of foreign economic relations and trade, said in Guangzhou today that a policy of carrying out highly centralized and unified management on bulk import and export commodities was adopted recently.

These bulk commodities reportedly include cotton yarn, cotton cloth, chemical fibers, polyester fibers, tungsten ore, corn, and soybeans.

Jia Shi made these remarks at a meeting with noted figures from Hong Kong and Macao after the inauguration of the 58th Guangzhou Trade Fair. He said: The Sino-British agreement on the future of Hong Kong has been signed and has come into effect. To ensure the prosperity and stability of the Hong Kong market and to adopt special measures toward Hong Kong in foreign trade, the Ministry of Foreign Economic Relations and Trade has set up an administrative bureau of foreign economic relations and trade to take charge of such duties as strengthening quotas management and issuing and examining permits.

In reply to questions raised by friends from Hong Kong and Macao on the chaotic situation in foreign trade, Jia Shi said: In foreign trade it is necessary to persist in opening up and carrying out reforms. We should seriously handle cases that run counter to the policy and infringe upon state interests, such as altering and selling permits, reselling foreign exchange at a profit, and exporting parallel goods. A number of cases have recently been made clear through investigations and those responsible will be punished according to party discipline and state laws.

Noted figures from Hong Kong and Macao, including Henry Fok, Ma Man Kee, Tong Ping Tat, Kwok Yi Hing, and Yip Yok Lam, also spoke at the meeting. On the one hand, they were pleased that visitors attended the trade fair in crowds and that all hotel rooms were full. They were optimistic about the prospects for the fair. On the other hand, they sharply criticized various problems that have cropped up in recent years, such as multi-headed export, a glut of parallel goods, loss of control in foreign exchange, and difficulties in selling Chinese products, and raised positive proposals for handling these problems.

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NATIONAL POLICY AND ISSUES

YUAN BAOHUA ON PLANT DIRECTOR RESPONSIBILITY

OW201131 Beijing XINHUA Domestic Service in Chinese 1235 GMT 19 Oct 85

[Article by reporter Ge Daxin]

[Text] Beijing, 19 Oct (XINHUA)--China's pilot project for the plant director responsibility system is making steady progress. At a regular meeting on enterprise consolidation work today, Yuan Baohua, leader of the National Enterprise Consolidation Leading Group, urged responsible persons of the various localities, departments, and experimental enterprises to actively solve problems emerging in the reform with a bold pioneering and enterprising spirit and continuously perfect the plant director responsibility system in the over 20,000 experimental enterprises.

The meeting shows that the results of the plant director responsibility system are good in a majority of the experimental enterprises, which are primarily reflected by the essentially smooth relations among the party, administrative, and workers departments as well as by the improvement of the plant directors' production direction and management work, the party committee's political and ideological work, and the democratic management of plant staff and workers. The plant directors or party committee secretaries of the Shanghai Dahua Instrument and Meter Plant, the Zhengzhou No 2 Diesel Engine Plant, the Shanghai Ferroalloy Plant, and the Changzhou Metallurgical Machinery Plant, which have achieved outstanding results in the pilot project, introduced their experiences at the meeting, which were well received by the participants.

Yuan Baohua gave a talk on how to make the next step of the pilot project a success. He said, after the plant director has gained unified leadership and command over the production and management of an enterprise, whether or not the plant director responsibility system can be effectively implemented often depends on the organization capability, the art of leadership, and the decision-making ability of the leading group headed by the plant director, as well as on whether or not the party, administrative, and worker departments can cooperate with one another. Over the past 4 years, after repeated readjustments, the quality of the enterprises' leading groups have markedly improved. However, their political and cultural quality, their organization ability, and their management level are still not quite up to the desired standard. Therefore, special attention must be paid to the training of plant directors, party committee secretaries, chairman of trade unions, and other

responsible personnel. Attention also must be paid to the training of cadres of upper echelon companies and responsible bureaus. Once the plant director responsibility system has been implemented, promoting spiritual civilization construction and strengthening ideological and political education will be the primary tasks of the enterprise's party committee secretary. Yuan Baohua proposed that the various localities and departments set up a special agency in charge of the pilot project for the plant director responsibility system or at least a leading unit for this work. An important task at present is emphatically summing up the experiences of the experimental enterprises discovering the weak links in the pilot project, providing careful guidance, and effectively consolidating the achievements of the pilot project.

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## NATIONAL POLICY AND ISSUES

### PRIVATE HOUSING PROMOTED

Beijing LIAOWANG [OUTLOOK] in Chinese No 35, 2 Sep 85 p 4

[Commentary: "Consumers Should Be Guided"]

[Text] Every day, while watching television, listening to the radio, and reading the newspaper, people are exposed to a large quantity of advertisements for expensive consumer goods. The beginning of the arrival of expensive consumer goods in the homes of urban and rural residents of course is good news. It reflects the fact that living standards have risen as the national economy has developed; it also shows that goods are produced at various grades of quality, and the quantity of goods also has risen due to great efforts. However, it also should be kept clearly in mind that the average annual personal income actually is not very high; the purchasing power of most workers, peasants, officials, and intellectuals is not very large, and there is a considerable number of people for whom life is still very difficult. Therefore, we comrades who work on the economy, and even we comrades who do propaganda work, should conscientiously consider directing the people's limited purchasing power toward those things that the people most need, to improve their basic standard of living.

For example, take household video recorders. These are already commonly found in the developed countries. However, under present conditions where the national personal income is still not high, are there many households that are able to afford to buy and use video recorders? Another example is air conditioners. They certainly can bring considerable comfort to people, but how many households at present can afford to buy and use them? With their heavy use of electricity, and under conditions like today's when the nation's power supplies are so tight, is it appropriate to promote the use of air conditioners? Take still another example. At present many furniture stores are selling complete sets of high-quality furniture, each set costing one thousand to several thousand yuan. Meanwhile the sale of individual items of furniture is becoming increasingly scarce, their quality poor and their prices high. When the housing conditions of urban residents are not yet satisfactory, a market for complete sets of furniture is limited. Many of these kinds of expensive goods, under present conditions when personal incomes are not high, are primarily bought by the purchasing power of the group. After the government increased controls over group purchasing, large-quantity sales have become difficult. There is the possibility that overstocks will be created, in turn, causing difficulties for the producing factories. Therefore, comrades

engaged in economic management, those engaged in production in factories, and even those engaged in propaganda work should have a view of the entire situation, should have a clear understanding about the total purchasing power of society, and should realistically survey the masses' actual, pressing needs. Without this, personal purchasing power will be directed toward things that are not pressing needs at the moment, causing production to follow certain blind directions.

At present, what problems do the masses, especially urban residents, need resolved first? For the majority of residents, the main problems for a considerable period of time will continue to be improving housing and diet. In many cities, including large- and medium-sized cities, the housing situation for most families still is poor, and for some families it is extremely poor. We should pay attention to directing personal purchasing power primarily towards improving family housing conditions. This is of the most immediate interest to urban residents, and is the most pressing problem needing solution. Appropriate government agencies are presently setting policies for creating privately owned housing. After housing is privatized, the expenditure for housing will occupy an important place in the structure of personal income expenditures. An important mark of the rise of living standards will be the rise in housing standards. The housing industry will become an important branch of the national economy. It would seem that this is an inevitable development.

Why is it that now people are so interested in electrical appliances for the home? Perhaps there are two reasons, the impact of foreign influences, and, with housing not yet privatized, urban residents still do not consider using money in hand for buying or building homes. Therefore, consumers, especially urban consumers, should be guided with this suggestion: please save some money for use in improving housing conditions; the time for the privatization of housing is not far off.

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## NATIONAL POLICY AND ISSUES

### NATIONAL FLOOD-PREVENTION CONFERENCE OPENS IN SHENYANG

SK190417 Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 18 Oct 85

[Text] The national conference on work of preventing flood and eliminating obstacles from rivers opened in Shenyang City on 18 October with the participation of the leading comrades and experts from the ministries of water resources and electric power, urban and rural construction and environmental protection, forestry, and communications; from the water conservancy departments of the 24 provinces and autonomous regions throughout the country; and from the organs and units in charge of managing and controlling the major rivers across the country.

The conference is aimed at summing up the experience gained in preventing flood by the localities throughout the country, enhancing the understanding of the experience gained in preventing flood and eliminating obstacles from rivers for the flood-prevention work, and at stepping up the general inspection and overhaul over the water conservancy facilities across the country in the winter-spring period and in the upcoming few years.

Peng Xiangsong, vice governor of Liaoning Province, delivered a report at the conference to introduce the province's situation prevailing in combating the flood, rushing to deal with the emergencies, providing disaster relief, and in taming rivers.

From 18 October on, comrades attending the conference have started making an on-the-spot observation tour in the middle and lower reaches of the Liao He.

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## PROVINCIAL AFFAIRS

### LIAONING VICE GOVERNOR'S REPORT ON ECONOMY

SK180301 Shenyang LIAONING RIBAO in Chinese 22 Sep 85 p 2

[Report on the provincial economic situation and work arrangements for the next few months given by Zhu Jiazhen, vice governor of Liaoning Province, at the 16th Standing Committee meeting of the sixth provincial People's Congress on 17 September 1985]

[Text] Fellow members:

Entrusted by the provincial people's government, I will give a report on the economic situation of our province in the period from January to August and work arrangements for the next few months for your examination and discussion.

#### 1. Fulfillment of the National Economic Plan From January to August

Since the beginning of this year, with the guidance of the principles and policies decided on at the 3d Plenary Session of the 12th CPC Central Committee, our province has conscientiously implemented the guidelines of the national conference of governors, actively carried out economic reform focusing on the urban economy, strengthened the macromanagement of and control over the national economy, corrected new unhealthy trends, and stimulated the rapid development of the socialist planned commodity economy. Generally speaking, the fulfillment of the national economic plan during the period from January to August and the economic situation of the same period were good. Major conditions and characteristics are as follows:

1) New progress was achieved in reform of the economic structure focusing on the cities.

Since the beginning of this year, in order to streamline administration and delegate power to lower levels, the provincial government has formulated 18 regulations, transferred or relaxed restrictions on the authority over 108 specific fields, and given more decisionmaking power to 170 enterprises under the province, which amount to 85 percent of the total number of enterprises under the province. State enterprises instituting the system of having directors assume full responsibility have reached more than 1,100, and a great number of large and medium-sized enterprises have made their basic accounting units smaller and have further improved the economic responsibility system.



Urban reform has been extended from partial to overall reform. In the first half of this year, the 13 cities throughout the province established 518 trade fairs of various categories and conducted businesses totaling 690 million yuan, an increase of 97 percent over the same period of last year. New development was achieved in the lateral cooperation of the urban economy. A total of 108 associations with the participation of 705 enterprises, most of which are those of our province, were established. The cities in the central part of our province, with Shenyang as the center, and the five coastal cities, including Dalian, established associations. Our province also established cooperative relations with 27 provinces, municipalities, and autonomous regions of the country. In the first half of this year, it signed letters of intention concerning 1,700 cooperative projects, and trained 5,000 people for others.

2) Industrial production developed in a sustained and steady manner and economic results improved remarkably.

By the end of August, the annual plan for the industrial output value had been fulfilled by 69.1 percent, showing a 14.4-percent increase over the same period of last year. Of this, light industry increased by 13.5 percent and heavy industry by 14.9 percent. The growth rates, of the industrial output value were 10.5, 12.4, 15, 19.7, 16.1, 16.4, 14, and 14.4 percent from January to August. The growth of the heavy industrial output value began to slow down in July, and the growth of the light industrial output value rose in August. Judging from the situation in the different branches of the industry, raw material industry maintained a trend of steady increase; energy industry continued to grow; and the growth rate of the machine-building industry slowed down. But production of the products needed in the state key construction projects and of the transport facilities and electric and machinery products urgently needed in the national economic development still increased by a large margin. Readjustment of the product mix of light and textile industries brought about a fairly large increase in the production of the products which enjoyed brisk sales and helped maintain steady production of those which enjoyed ordinary sales.

At present, major problems in industrial production are the very strained situation in the supply of energy, raw materials, and building materials and in communications and transportation, a notable decline in the quality of some industrial products, an increase in the cost of products in comparable terms, the increased consumption of raw materials, fuel, and power for production of major industrial products, and an increase in job-related accidents.

3) An overall development was made in a diversified economy through readjustment of the rural production structure.

Through conscientiously implementing the guidelines of the central authority's Document No 1 of 1985 and in line with the actual conditions, the province has taken advantages of favorable conditions and eliminated weakness to enthusiastically readjust the production structure. After the readjustment of crop structure of this year, the proportion of the areas for growing grain

and beans was reduced from 82.9 percent in 1984 to 77.7 percent, while that for growing cash crops increased from 9.5 percent to 15.6 percent. Of the areas for growing grain and beans, those for growing paddy rice increased by 14.8 percent over last year. Developments were made in forestry, animal husbandry, sideline occupation, and fishery. However, the flood, water-logging, storm and hail disasters which successively occurred since the beginning of the summer have brought about serious losses to agricultural, forestry, livestock, sideline, and fishery production. This directly affected the realization of the production plans.

4) The plan for capital construction was better fulfilled and the pace of the key projects was accelerated.

In the January-July period of this year, the province's total investment in capital construction increased by 58.7 percent over the same period of last year. Of this, the productive investment increased by 34.7 percent, while the nonproductive investment increased by 95.1 percent. Forty-five projects were completed, maintaining the level as the corresponding period of last year. All of the 44 large- and medium-sized key capital construction projects, that the state has assigned to our province, are under urgent construction except the Shenyang Shifuci water source project whose construction has not begun yet. The annual investment plan was fulfilled by 40.5 percent. While accelerating the construction of key projects, the province timely sorted out the scale of the investment in capital construction, controlled the investment and loans in fixed assets, and carried out the measures of leaders taking the responsibility of controlling the scale of the investment in fixed assets. But we can not ensure that the scale of the investment in this regard will be controlled by the end of this year, because all cities have made full arrangements for their own construction plans, the prices of building materials and equipment have raised, more expenses have been apportioned from the construction units, and the construction costs have been raised. Thus, we must continue to achieve the work of controlling the scale of capital construction.

5) Urban and rural markets were sustainedly brisk.

The province's total retail sales of commodities in the January-July period of this year increased by 23.5 percent over the corresponding period of last year. The major characteristics of this year's retail markets were as follows: The retail markets had an ample supply of goods of the off seasons. A new situation that the retail markets have comprehensively provided the consumers with food, clothes, daily necessities, fuels, big and small commodities, goods in both ample and short supplies, and the commodities in seasons or off seasons has emerged. The increases in the sales of clothes and daily necessities were higher than those of food and fuels. Major problems in the markets were as follows: First, some commodities were in very short supply. Second, prices of goods were raised. The market management failed to catch up with the pace of relaxing the control of vegetable prices. The state commercial enterprises failed to play their exemplary role. Thus, the



prices were raised by a big margin. People have a lot of complaints about this. Now, we are studying to work out measures to strengthen the market management.

6) Revenue increased.

In the January-August period of this year, the province fulfilled the annual revenue plan by 80.2 percent, while the expenditure accounted for 56.6 percent of the annual budgetary plan. By the end of August, the savings deposits of urban and rural people across the province reached 9.07 billion yuan, showing an increase of 1.7 billion yuan over the beginning of this year.

7) The scale of credit and the consumption funds were controlled.

Generally speaking, at present, the scale of credit has been brought into control. However, the loans to industrial enterprises registered more increases. There are three factors for the increases in industrial loans: First, state industrial enterprises stored up excessive materials. Second, the increase of funds exceeded the bearing capacity of the scale of credit. Third, without accurate calculation, some enterprises blindly made arrangements for production as a result of the fact that quality of the products were low but their prices were high, and the funds for finished products increased by a big margin.

We succeeded in controlling the consumption funds. However, expenses for wages still increased by a large margin because the cash administrative expenses of organs, enterprises, and establishments increased too rapidly. In the second half of the year the provincial government has adopted a series of measures to control people going abroad, institutional purchases, and administrative expenditure. We have scored initial success in this regard and the trend of going abroad, institutional purchases, and building office buildings, hotels, and guest houses have been basically checked.

The following are my major briefings on our province's disaster, antiflood, and relief situation.

Since the beginning of summer, our province has been hit by successive typhoons, torrential rainfalls, flooding, and hailstorms. In mid- and late July, the eastern and southern parts of Liaoning experienced heavy torrential rainfalls which caused the water level of rivers to rise rapidly. The sudden increases in the rate of flow resulted in floods and waterlogging in Haicheng, Yingkou, and Dandong. Some counties in the three cities of Liaoyang, Benxi, and Tieling suffered disasters caused by torrential rains. On 19 August, Typhoon No 9 hit Dalian. Areas extending from the south to the north had heavy rainfalls and torrential rains. Some localities experienced unprecedentedly heavy torrential rains with strong winds ranging from grades 8 to 10. The wind gusts even reached grade 12. The situation along the whole Liao He was tense. Some breaches were discovered on the flood prevention dikes. Areas on the middle and lower reaches of the Liao He, Hun He, and Taizi He suffered from floods and waterlogging. The vast expense of water inundated

many farmlands and villages. Some localities were hit by successive disasters and incurred great losses rarely seen in the history of our province.

As for this year's flood prevention work, we have been prepared ideologically and organizationally and have made all necessary preparations for ensuring the safety of projects, material supplies, and telecommunications services. The province dispatched more than 20 work groups on several occasions to go to the main rivers and large- and medium-sized reservoirs to deeply examine the flood prevention work and to help the various localities implement antiflood measures. This played an important part in overcoming the flooding disasters. After the occurrence of floods, the provincial CPC Committee and government grasped the antiflood and relief work as a current major event, and pulled strength of all quarters to combat flood and to deal with emergencies with all-out efforts. To cope with the development of the flooding the provincial government issued eight emergency circulars on several occasions, held four emergency telephone conferences, worked out plans in a timely manner, made some necessary policy decisions, and called on the people throughout the province to win a victory in the struggle of combating flood and dealing with emergencies with an indomitable revolutionary spirit of fearing neither hardships nor tiredness.

At the critical moment when our province suffered from serious disasters of flood and waterlogging, the CPC Central Committee and the State Council sent a message of sympathy and a comfort group to our province, which greatly encouraged and gave tremendous strength to the people throughout the province. In the course of combating floods and dealing with emergencies, the broad masses of cadres, party members, the masses, and the commanders and fighters stationed in the province underwent rigorous tests. Many moving deeds emerged. In addition, the antiflood struggle also helped toughen the leading bodies at all levels and the masses, cement closer ties between the party members and the masses, the cadres and the masses, the army and the government, and the army and the people, and also helped strengthen unity among them. This will play a tremendous role and produce far-reaching influence in the realization of the grand objective set by the 12th CPC Congress.

This disaster incurred serious losses to the production and construction of our province and to the lives and property of our people. The extensive disastrous areas, the long period of suffering from disasters, and the great losses were the ones rarely seen in our province. It affected our sustained and healthy economic development and brought difficulties to our province.

## 2. Work Arrangements for the Upcoming Several Months

Efforts should be made to transfer the work emphasis to engaging in production and providing disaster relief, and to mobilize the people throughout the province to display the spirit of self-reliance and arduous struggle in order to win a new victory over the disaster, providing disaster relief, and increasing incomes from the increased output.

- 1) A good job should be done in making arrangements for the people's livelihood in the disaster-stricken areas.

Efforts should be made to organize the people's governments at all levels to adopt effective measures for helping the disaster-stricken areas restore production and rebuild their homeland, and to make the best use of the 2 months before winter to do a good job in dealing with the problems of food, clothes, firewood, daily necessities, and medical care. We should ensure that all victims have enough food, firewood, clothes, and shelter and that no one starves or freezes to death and dies of illness without due treatment. All of this constitutes the most important task we face. What is most urgent is that efforts should be made to mobilize the force of various circles and to use every means and way to help the disaster-stricken areas deal with the housing problem for the winter by adopting the measure of integrating public subsidies with the self-raised funds. Next, we should deal with the problem of food. Though the province will suffer from the large-scale decrease of grain output, we are confident in dealing with the food problem encountered by the people throughout the province. We should work out all measures to provide enough grains and to stabilize grain prices in order to reassure the public. Attention should be paid to protecting the people's health in the disaster-stricken areas and the labor forces and to preventing an epidemic. The medical teams dispatched by the provincial authorities and the cities to the disaster-stricken areas should continuously conduct the prevention and cure of diseases for the victims. Efforts should be made to work out means and ways to repair the damaged school buildings and to resume classes as soon as possible, and to deal with the problems encountered by the victims with regard to clothes and firewood. We should urge the collieries throughout the province to increase their output of coal, urge the industrial and mining enterprises to vigorously save coal, and should mobilize the industrial enterprises throughout the province to make efforts to increase incomes from the increased output and to increase the output of raw materials at fixed prices in order to support the disaster-stricken areas.

- 2) Efforts should be made to vigorously restore production and to actively do a good job in encouraging the people to help themselves by engaging in production.

Efforts should be made to enhance the field management in the later period in order to promote output increase. We should carefully organize autumn harvest and strive to harvest the crops completely and attentively. The mountainous areas should do a good job in harvesting minor crops. Efforts should be made to restore production as soon as possible among the township-and-town-owned enterprises. Those that have restored their production should strive to increase their incomes from their increased output in order to make up for the losses caused by the disaster. We should open more production avenues, vigorously develop breeding undertakings and the household economy [Ting Yuan Jin Ji], and should organize or encourage peasants to render labor service in urban areas in order to make a success in the self-salvation campaign by actively making job arrangements as a form of relief.

3) Efforts should be made to vigorously repair the damaged facilities in order to make good preparations for next year's production.

We should make unified plans, sign work contracts at different areas, and enforce responsibility systems at all levels in vigorously repairing the damaged water conservancy facilities, roads, and bridges.

4) A good job should be done in dealing with the problems concerning policies and ensuring the smooth progress in the self-salvation campaign.

We should make decisions on some policies while some policies should not be formulated without the approval of the departments concerned of the State Council. The general principle of making policy decisions should first be favorable to making arrangements for the people's livelihood and successfully dealing with the problems of food, firewood, houses, and daily necessities; second, to lightening the people's burdens and creating conditions for production restoration and development; and third, to promoting development of production in order to benefit the campaign of self-salvation. In line with the three demands, the problems concerning policies which should urgently or can be currently dealt with are as follows:

First, the people's livelihood in the disaster-stricken areas. Efforts should be made to assuredly provide adequate grains for the victims and to support the disaster-stricken areas to rebuild their homeland by supplying building materials. With the approval of the tax departments, the victims may enjoy proper tax exemption. If they apply for loans from the credit cooperative for health problems, they also can enjoy the proper interest deduction from the loans.

Second, the issue of lightening the burden of the masses in the disastrous areas.

We should appropriately reduce or limit agricultural taxes according to the degree of the seriousness of disaster. Township enterprises which are unable to repay the taxes that they are owing may enjoy tax reduction or remission with an approval of the higher authorities. The time to repay the agriculture-related working funds managed by the financial department may be extended, taking account of disasters. The financial department should continue to issue discount interest loans to the disaster victims.

Third, the issue of supporting the victims and helping them carry out production through self-reliance the people who earned incomes by carrying out production to solve difficulties through self-reliance may be exempted from business and income taxes with an approval of the city or county governments. The time to repay the due agricultural loans and loans of the township enterprises may be extended if they are unable to repay because of disasters.

5) Efforts should be made to mobilize the people throughout the province to increase production, practice economy, and help the disaster areas.



Despite the serious disasters in our province this year, we should resolutely achieve the goal of not reducing production and income in the industrial sector. In the spirit of combating floods and dealing with emergencies, cities should firmly grasp the work of increasing production and income and practicing economy, and strive to support the disastrous areas. The rural areas should center their work on carrying out production through self-reliance, and strive to increase production and income after the disasters. This year the conditions for industrial production are better than those of the past years. Therefore, we should strive to produce more in order to make up for the poor agricultural harvest.

1. We should make proper arrangements for industrial production, focusing on increasing economic results and producing light industrial products badly needed in the markets. We are required to achieve the following tasks in the next 4 months: A) The economic results of industrial enterprises should increase by 3 percent over the first half of the year. B) The monthly total industrial output value should increase by 11 percent over the corresponding period of last year, and should reach 13 percent by the end of the year. C) The output of the raw materials industry should not be lower than the level of the first half of the year. D) Efforts should be made to strive to fulfill the task of increasing the output value by 1.6 billion yuan set by the provincial light industrial conference, or to strive to make the output value reach 1.2 billion yuan if we really have difficulties. E) The proportion of quality product output value to the total industrial output value should increase by 3 percent over the first half of the year in order to make the proportion of quality product output value reach 25 percent by the end of the year. F) The overspending amount of the cost of comparable products should be reduced by 200 million yuan from the first half of the year. G) The circulating rate of the working funds should be faster so that the turnover period can be 11 days earlier than the first half of the year.

2. We should deeply carry out economic structural reform and further invigorate enterprises. We should realistically allow enterprises to enjoy the state-permitted decisionmaking power in line with the principle of simplifying administration and delegating powers, attend to the supporting work of reform among enterprises, and continue to implement and improve the economic responsibility system. Large- and medium-sized enterprises should "tap internal potential and carry out cooperation with other localities," carry out multilayered integration and cooperation with various localities, stress the production of competitive and brand-name products, and develop economic associations which have competitiveness. While developing consumer goods markets, we should also open up markets for capital goods, science and technology, and banking. We should also open the province to the outside world, actively develop intercity economic and technical cooperation and association, and carry out experimental and preparatory work to establish trade-industry-agriculture integrated units. This year we should carry out experiments in Yingkou and Donggou counties, gradually spread the work to the coastal cities and countries, and create conditions for opening Liaodong Peninsula to the outside world next year. While invigorating the domestic economy, we should act in accordance with the needs and possibilities, and

study specific policies and measures to attract other provinces and cities to invest in our province to engage in businesses or to run enterprises in the province.

3. We should try all possible means to grasp the production of energy and raw materials and to practice economy. We should solve the energy problem by adopting the methods of paying dual attention to developing production and practicing economy, producing province-made products, and importing products from other provinces; by integrating state investment with the funds raised by the localities; and by having large-, medium- and small-sized enterprises participate in the work. In addition to grasping the construction of the key energy projects of petroleum, coal, and power, we should make arrangements this winter for power plants to generate excessive amount of power and locally-managed power plants to increase power output, continue to grasp energy conservation work, and develop and popularize energy-saving techniques. Energy should be supplied in priority order.

4. Efforts should be made to organize the enterprises of metallurgical, chemical, and building material industries to increase their output in order to support the campaign of providing agricultural relief and to ensure market supply. The raw-material industrial enterprises should release 10 percent of their increased products in order to support the markets and villages of the disaster-stricken areas by offering a sale at the fixed prices; the petroleum industrial enterprises should release 10 percent of their self-sale products for this purpose; the enterprises in charge of capital construction, machine repair, and technical renovations should release 2 percent of their purchased steel products for this purpose; and the mothballs in charge of dismantling ships should release 2,000 tons of steel products for this purpose.

5. Efforts should be made to uphold the principle of "six priorities" and to do a good job in organizing the production of light industrial and minor commodities urgently needed by the markets.

6. Efforts should be made to vigorously upgrade the quality of products in order to assuredly show and increase in financial revenues. We should conduct analysis and studies in line with the difference among various industries and trades and in line with the variety of products, and should adopt effective measures to upgrade the quality of products and to increase incomes from the increased output.

7. Efforts should be made to step up conducting reforms in foreign trade systems and to strengthen export management, and a good job should be done in making unified arrangements, fostering economic coordination, and in earning foreign exchanges by exporting commodities.

8. A good job should be done in making overall arrangements in communications and transportation in order to ensure the delivery of the key materials. Efforts should be made to make good arrangements for the transportation of railways and harbors, to bring into full play the latent power of highways and

waterways, and to successfully share the transportation tasks between railways and highways.

9. Efforts should be made to earnestly implement the spirit of on-the-spot meeting on production safety held at the Anshan Iron and Steel Company, and to realistically do a good job in grasping the work of production safety.

6) Efforts should be made to continuously and strictly curtail the scope of capital construction and to ensure the construction of key projects.

Cities and the departments should follow the plans issued by the provincial authorities, no one is allowed to expand the scope prescribed by the plans. The localities throughout the province should by no means start their construction work for excessively gorgeous buildings or the "facade" projects that have not been put into construction and should stop their construction of such projects that can be suspended at present. Except for providing disaster relief or repairing the damaged facilities in 1986, there will be no new projects in the construction plans.

7) Efforts should be made to enhance monetary management, to increase financial revenues, and to control the usage of foreign exchanges.

In 1985, the leading cadres at the department or bureau level and at or above the city level will not be allowed to go abroad. Efforts should be made to continuously and strictly bring various expenditures under control and to curtail all administrative expenses. From now on, we will not dispatch purchase groups and not allow a group tour with the public funds.

8) Efforts should be made to conduct general inspection over the financial affairs, tax revenues, commodity price, and the usage of foreign exchanges, and to make good arrangements for market supply and the people's livelihood.

Recently, the provincial people's government studied and decided that the governor and vice governors of the province as well as the leading personnel of the planning and economic commissions, the financial department, the price bureau, and the taxation bureau should join the inspection groups and respectively go deep into the enterprises, establishments, and units in various cities to carry out inspections. In successfully making arrangements for market supply, the state commercial departments should actively play their role of main channels to readjust the surplus and shortage, to balance the commodity prices, and to stabilize markets by vigorously organizing commodity resources. As for securing the necessary reserve of the commodities needed by the people's livelihood, the monetary departments should give preferential treatment in funds to these commercial departments. In order to ensure the state commercial firms to control the necessary commodity resources, the people's governments at all levels should adopt measures to vigorously fulfill the commodity purchase plans. In particular, a good job should be done in making arrangements for the markets of vegetables, pork, and nonstaple foodstuffs.

All in all, the working tasks for the upcoming several months are heavy and arduous. We should be determined to improve workstyle, to go deep into grassroots level units, to delve into reality, and to earnestly carry out investigation and study, in order to deal with in a timely manner the new problems cropping up in conducting production and reforms and providing disaster relief. Efforts should be made to set up close ties with the masses, to show concern for the people's welfare, to do good or practical deeds for the masses, and particularly to help the disaster-stricken areas deal with the practical problems cropping up in production and livelihood in order to ensure the smooth fulfillment of the 1985 plan for the national economy, and to achieve steady and healthy development in the province's national economy.

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CSO: 4006/163



PROVINCIAL AFFAIRS

ECONOMIC, TECHNICAL COOPERATION EMPHASIZED

Shenyang LIAONING RIBAO in Chinese 14 Sep 85 p 1

[Article by Jing Zonghe [5427 1350 0735]: "Liaoning's Economic Development Strategy Promotes Horizontal Economic and Technical Cooperation"]

[Text] Following the continuing reforms in the economic system, economic and technical cooperation in Liaoning has achieved new heights.

At present, Liaoning has established cooperative economic and technical relationships with 27 provinces, cities, and autonomous regions. According to still incomplete statistics, 3,166 agreements of all kinds of economic and technical cooperation has been signed since last year and 2,270 projects have already been completed, creating new production valued at 660 million yuan and realizing profits of 110 million yuan. Of the cooperative economic contracts that have been signed, 890 million yuan of capital has been brought in (including capital jointly contributed by sources within the province), and 150 million yuan of capital has been sent out. Through these agreements, arrangements were made to train 6,800 specialized personnel in various fields.

The reason that Liaoning's cooperative economic and technical programs have been so successful is that five aspects of the work have been emphasized: First, they have adopted to the orientation whereby the state is reducing directive planning, expanding guidance planning, and increasing the role of market regulation. Because the solution of Liaoning's shortages of energy and raw materials with fraternal provinces, cities, and regions, establishing long-term, steady bases of supplies for production. Second, emphasis was centered on revitalizing large enterprises, first developing those goods that are well-known brands, are of superior quality, and are in short supply. Large- and medium-sized enterprises were relied upon to form joint units for economic and technical cooperation, and from this, enterprise reorganization was promoted. According to still incomplete statistics, in Liaoning 108 such joint units have appeared already, linking 975 medium- and small-sized enterprises in the cities and countryside. Third, with development of multi-functioned cities as a central concern, joint units of urban economic and technical cooperation were established, relying upon the central cities. By so doing, a network of economic and technical cooperation was formed for the establishment of services for the Liaodong Peninsula Economic Zone. Since December of last year, Liaoning has formed the Central Liaoning Joint Unit for Urban Economic and Technical Cooperation, the Coastal Joint Unit for Urban Economic and

Technical Cooperation, and the Western Liaoning Joint Unit for Urban Economic and Technical Cooperation. These joint units have already actively fulfilled, or are in the process of actively fulfilling, their stipulated roles. Fourth, production, research, and teaching have been combined in order to develop Liaoning's large- and medium-sized enterprises and superior technical expertise in scientific institutes, colleges and universities; this has resulted in tremendous advances in technical cooperation. A number of large and medium enterprises have used technology transfer, technical contracting, technical consulting and services, and other means to send out technology. Exchanging "software" for "hardware," Liaoning's military and industrial enterprises' great efforts to transfer and send out technology within and outside of the province have produced notable economic gains. Fifth, cooperative agreements for goods and materials have become more and more sophisticated, breaking beyond the simple exchange of goods and materials with the establishment of goods and materials exchange centers for large regions and with the mutual establishment of trade windows. This has resulted in the circulation of goods and materials taking three channels, through centralized state allocation, through regional and departmental cooperation, and through the marketplace. These channels, combined, form a structure of co-existence, circulation, and cooperative development.

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CSO: 4006/68

PROVINCIAL AFFAIRS

HUNAN CIRCULAR ON ENFORCEMENT OF ECONOMIC LAW

HK160941 Changsha Hunan Provincial Service in Mandarin 1100 GMT 14 Oct 85

[Text] Today, the Provincial Government issued a circular announcing an inspection of the situation in enforcing the economic laws and regulations within the province and designating 25 laws, regulations, and rules as the key points of this inspection.

The circular points out: The main work of this inspection is to determine whether or not leaders at all levels, particularly leaders in charge, have conscientiously grasped the enforcement of the laws; the situation in enforcing the relevant laws, regulations, and rules, particularly the main articles and provisions; and the situation and results in punishing the unlawful practices disclosed.

The circular stresses: All units of provincial level organs and all prefectural, autonomous prefectural, city, and county people's governments must each assign a leading comrade to be responsible for inspection work.

The circular demands: Beginning next year, all units at the provincial level must submit yearly to the Provincial Government their plans for inspecting the situation in enforcing the laws, regulations, legislation and rules.

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CSO: 4006/163

PROVINCIAL AFFAIRS

JIANGSU GOVERNOR SPEAKS ON ECONOMIC WORK

OW200456 Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 18 Oct 85

[Excerpts] The leading members of the Jiangsu Provincial People's Government recently studied measures for implementing the guidelines of the National Conference of Party Delegates in light of this province's actual situation after conscientiously studying the national conference's documents. The provincial government held discussion meetings attended by responsible comrades of various provincial departments and of various city governments to study how to grasp the economic work well at present and in the next year in the spirit of the national conference.

Governor Gu Xiulian held that in order to implement the guidelines of the National Conference of Party Delegates, the workers on the economic front should pay attention to the four following points:

1. It is necessary to sum up the implementation of the Sixth 5-Year Plan and its experience and conduct education on current situation and policies.
2. It is necessary to formulate a sound Seventh 5-Year Plan for the province in accordance with guidelines of the proposal for the Seventh 5-Year Plan made by the party Central Committee.
3. It is necessary to make proper arrangements for next year's economic work according to the requirements of the Seventh 5-Year Plan. In order to fulfil the requirement, we must carry out all-out reform of the economic structure; insure the continuous, stable, and coordinated development of economic construction; vigorously promote the application of scientific and technological achievements; strengthen intellectual development; and attach importance to the building of spiritual civilization in promoting economic construction.
4. It is necessary to do a good job in carrying out economic work in the fourth quarter with the pioneering spirit of reform.

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CSO: 4006/163

PROVINCIAL AFFAIRS

ROLE OF STATE-RUN STORES DECLINES

Shijiazhuang HEBEI RIBAO in Chinese 18 Sep 85 p 1

[Article by Niu Zhanqun [3662 0594 5028] and Rong Jianjun [2837 1696 6511]: "Hebei Sees Outstanding Results from Commercial Reforms During Sixth 5-Year Plan"]

[Text] During the period of the Sixth 5-Year Plan, Hebei's commercial system has been revitalized, with special attention paid to reforms in circulation. Commercial work in Hebei has shown a heartening transformation. This year, purchases, sales, profits, and other indicators have all greatly increased. The face of state-run commerce that unifies the country has been fundamentally changed. Collective- and individual-operated commercial enterprises have expanded to 340,000 stores, with more than 760,000 employees.

During the period of the Sixth 5-Year Plan, Hebei's commercial system has conscientiously maintained the principle of "the planned economy is primary, market regulation is secondary." At the same time that state-run commerce is continuously improved and developed, special attention is also being given to restoring and expanding collective- and individual-operated commerce and changing the unitary system of state monopoly for purchasing and marketing into one in which purchasing and marketing takes many forms, such as planned purchasing, contract purchasing, selective purchasing, joint production-marketing operations, commissioned purchasing and marketing, and marketing by factories themselves. During the past 5-years, the number of collective-and individual-operated commercial establishments has reached 340,000 and the number of employees has reached 760,000. The composition of retail sales has changed significantly. The share held by state-run commerce dropped from 42.6 percent in 1980 to 38.52 percent in the first half of this year; the share for collective-run commerce has reached 36.52 percent and the share for individual-run commerce climbed from 0.8 percent to 13.37 percent. The value of factory-sold goods climbed from 770 million yuan to 1.4 billion yuan. This has created a new situation with many kinds of economic forms, many kinds of operations, many channels, and fewer links in the commercial chain. In Hebei, continuous reducing and streamlining has affected more than 250 central stores, eliminating more than 1,800 management positions. Moreover, management of planning, professional operations, prices, finance, personnel matters, and other items has been given, under restrictions, to the enterprises themselves, expanding their autonomy. At the same time that the wholesale system has been improved,



reforms affecting small-scale retail stores have followed the policy of "reform, transfer, rent." Up to the present, more than 3,480 small retail operations have become "state-owned, collective-run, tax-paying, and responsible for own profits and losses." There have been 534 directly transferred to collective ownership and operated by the collective; and 157 are rented out and operated by individuals.

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PROVINCIAL AFFAIRS

GOODS PRODUCTION FOR ETHNIC GROUPS BOOSTED

OW211200 Beijing XINHUA in English 1119 GMT 21 Oct 85

[Text] Wuhan, 21 Oct (XINHUA)--China has earmarked 40,000 ounces of gold to produce ornaments for people of ethnic minorities this year, compared to about 150 ounces in previous years, according to an official of the light industry ministry.

The central and local governments allocated a total of 40 million yuan to boost production of daily-use articles for ethnic groups this year in addition to other measures including low-interest loans, priority in the supply of raw materials, and tax reduction and exemption, said Gong Xiangyou, who was here recently for a national meeting.

By the end of the year, he said, the output value is expected to reach 840 million yuan. It was 440 million yuan in the first six months, 40 percent more than the same period of 1984.

The production of such goods increased at an average rate of 21 percent annually from 1980 to 1984.

More than 500 varieties of goods are produced for use by national minorities now, up from 50 in 1980. Some 200 of them won the title of "fine quality product" at provincial level and 56, from the State Nationalities Affairs Commission and the Ministry of Light Industry.

A steel-framed tent developed in Qinghai Province can hold household electrical goods, a folding bed, a cupboard, chairs and stools, and be used as class rooms, clinic or shop. Since the tents are weather-proof, over 3,000 Tibetan households in Qinghai have purchased them and the province plans to move all its 120,000 herdsmen families into such tents by the turn of the century.

China has 55 minority nationalities and most factories producing such goods are located in places with ethnic communities.

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## PROVINCIAL AFFAIRS

### URBAN PEOPLE'S LIVING STANDARDS IMPROVES

SK190457 Jinan DAZHONG RIBAO in Chinese 29 Sep 85 p 1

[Text] During the Sixth 5-Year Plan period, the living standards of the province's urban families improved by a large margin. Encouraging changes emerged in their consumption structure. Last year the average per capita income for living expenses of the urban residents was 600 yuan. This year their average per capita income for living expenses will reach about 760 yuan, an increase of 83.2 percent over 1980, showing an average annual increase of 12.9 percent. If the rise in the prices of commodities is factored in, the actual annual increase was 9.9 percent. This period was one of those in which income increased at the highest rate on the part of the urban residents since the founding of the PRC.

The marked improvements in the income of the urban families are the results of implementing the various principles and policies defined since the 3d Plenary Session of the 11th CPC Central Committee. In the past 5 years, the state hiked the wages of the broad masses of staff and workers of all trades and professions in order to improve the livelihood of the people within a short period of time. Furthermore, the bonuses of staff and workers were greatly raised along with the development of production and the implementation of the principle of distribution according to one's work.

In the wake of increasing income, the consumption structure of the urban residents underwent a series of changes. In food consumption, the consumption of staple food and grain dropped year by year along with the improvements in the people's livelihood. The consumption of nonstaple food and other nutritive foods increased year by year. Clothing of the people changed from low-grade and uniform ones to medium- and middle-grade and diversified ones. Last year the average per capita clothing expenses of the urban residents was 85 yuan and will reach 105 yuan this year, an increase of 77 percent over 1980. The expenses for other daily necessities increased markedly. The expenses of household durable consumer goods in particular increased even more sharply.

Over the past few years, the housing conditions of the urban residents have gradually improved. By the end of last year, the average per capita living space was 6.9 square meters. And this year it is expected to reach 7.1 square

meters, an increase of 24.6 percent over 1980. In addition, the quality of houses has improved also.

Thanks to our efforts to persist in promoting material civilization and vigorously strengthening the building of the socialist spiritual civilization, the cultural and technical studies as well as the recreation activities of the urban residents became richer everyday. At present, television sets and cassette recorders are not only the articles for family recreation purpose but also the important teaching aids.

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PROVINCIAL AFFAIRS

FUJIAN GOVERNOR ON COOPERATIVE-RUN INDUSTRIES

OW161203 Beijing XINHUA Domestic Service in Chinese 1320 GMT 13 Oct 85

[Article by reporter Sun Jing]

[Text] Fuzhou, 13 Oct (XINHUA)--During a visit to the provincial fair of products processed by supply and marketing cooperatives today, Fujian Provincial Governor Hu Ping called on supply and marketing cooperatives to avoid rushing headlong into mass action in promoting industries, urging them to run them in a solid manner. He said: In order to increase output value, it is necessary first of all, to pay close attention to product quality and win credit from the masses.

He Ping said: In setting up industries, supply and marketing cooperatives should attach importance to harnessing the enthusiasm of grassroots units by providing them with effective guidance and information. To produce more export goods, it is necessary to combine traditional techniques with advanced modern technology in industry. He stressed: In processing farm, subsidiary, native, and special products for export, supply and marketing cooperatives should pay close attention to the design and packaging of their products and render good services to customers in order to earn more foreign exchange, make the country prosper, and make the people better off.

At present, there are 739 enterprises run by supply and marketing cooperatives in Fujian, with nearly 10,000 staff members and workers, an annual output value of over 70 million yuan, and from 500 to 600 kinds of products. Some of the products are in great demand, not only at home but also abroad. Some have been commended by ministries or the province for their fine quality.

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PROVINCIAL AFFAIRS

HEBEI ECONOMIC COOPERATION, EXPORT MEETING ENDS

SK182215 Shijiazhuang HEBEI RIBAO in Chinese 30 Sep 85 p 1

[Text] Trade talks still continued after the conclusion of the provincial meeting on economic and technical cooperation and the trade talks on export commodities. Today, Qinhuangdao and Xingtai Cities and Shanhaiguan District continued their trade talks with foreign traders at the Hebei Guest House on importing technology and equipment for making chemical fibers, acrylic fibers, and plastic floor tiles. After the conclusion of the trade talks meeting on 16 September, more than 100 foreign traders remained in our province and signed five business contracts. As a result, a total of 75 contracts on import projects were concluded, involving a sum of more than \$47 million.

These contracts included the glazed tile production line of Tangshan construction ceramics plant, the floor tile production lines of Tangshan Jianhua ceramics plant and the No 6 Handan porcelain plant, and the washing powder production line of Zhangjiakou detergent plant with an annual production capacity of 50,000 tons. In addition, more than 30 other projects are being discussed, and preparations are being made to sign contracts when the conditions are ripe. The relevant departments are actively organizing people to implement the contracts which have been signed, and efforts are being made to build subsidiary projects in the country and to train personnel. The work of the relevant functional departments still continues. The scientific and technological section of the provincial Economic Commission and the provincial Economic and Technological Development Office have worked overtime to sum up experiences and to grasp the relevant cooperative issues. At the same time, they have also attended to next year's plans.

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PROVINCIAL AFFAIRS

HEILONGJIANG TO FOCUS ON TOWNSHIP, TOWN ENTERPRISES

Harbin HEILONGJIANG RIBAO in Chinese 29 Aug 85 p 1

[Article: "Provincial Working Conference on Township and Town Enterprises Stresses Strengthening Leadership To Develop Township and Town Enterprises; Conference Addressed by Provincial CPC Committee Secretary Li Li'an; Wang Lianzheng Delivers Concluding Speech"]

[Text] At the provincial working conference on township and town enterprises convened from 21 to 22 August, the provincial CPC Committee and government called on the Party and government at all levels to increase their understanding, strengthen leadership and improve services to develop village township and town enterprises.

Secretary of the provincial CPC Committee, Li Li'an [2621 0500 1344], addressed the conference, which was also attended by the assistant secretaries of the provincial CPC Committee, Chen Yunlin [7115 0061 2651] and Liu Chengguo [0491 2052 2654]. Heilongjiang Vice Governor Wang Lianzheng [3769 6647 6927] delivered a speech summarizing the conference.

It was the belief of those attending the conference that further steps must be taken to solve problems relating to our understanding of township and town enterprises. We must really view the development of these enterprises as a strategic task in our work in the countryside, and then seriously tackle the job. It is imperative to change the backward state of affairs of our province's township and town enterprises, to meet the needs of the organization of the rural industrial structure and of the development of the entire national economy. All departments must focus on solving the problems of indifference (the attitude that this work is not relevant to them), inadequate support and excessive interference, and must give the green light more often and stop giving red lights, or give them less often. All industries must make an effort to develop township and town enterprises.

The conference called for the genuine reorganization of enterprises already in existence, the implementation of the "one guarantee and three changes" policy, and the realization of the separation of government and enterprise. Township and town governments cannot assign cadres and workers any way they please to enterprises, thus using enterprises as places within which they can take care of their children and people of special importance.

Nor can they freely transfer enterprise property and turn the enterprises into service stations for township and town governmental organs or for certain individuals. Nor can they interfere with production and operational activities of the enterprises, destroying their (the enterprises') independence. It was emphasized at the conference that in order to strengthen the leadership of township and town enterprises, cadres must deal more with the facts and indulge less in idle talk. The leadership must tackle problems in person and work to really assist township and town enterprises in solving practical difficulties. At present the main problem is in creating conditions and providing good services for enterprises run by developing households and combined households. In addition, the leaders must personally appear to clear up lines of communication and solve problems that the enterprises have difficulty solving themselves. Special attention must be paid to helping enterprises coordinate their work in economic and technological development with advanced provinces and cities, and with large and middle-sized cities within the province, and to cooperate with large enterprises, scientific research units and institutions of higher education to introduce and bring in new technology, personnel and capital to invigorate the enterprises. Good work in organizing, coordinating and in inspection must be done to enable all industries to work together with one mind and make contributions towards the development of township and town enterprises.

All the CPC Committee secretaries at the prefectural, city and county levels, together with the leading responsible comrades of state farms, forestries and relevant offices and bureaus subordinate to the province (nearly 500 people), attended the conference. Typical model cases and experiences in developing township and town enterprises from Zhejiang and Jiangsu Provinces were also introduced at the conference. The conference also discussed and revised the provincial government's statement concerning "Certain Problems Relating to Enterprises Run by Rural Families and Combined Households."

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PROVINCIAL AFFAIRS

PROVINCE RELAXES POLICIES TO SUPPORT TOWNSHIP, TOWN ENTERPRISES

Harbin HEILONGJIANG RIBAO in Chinese 29 Aug 85 p 1

[Article: "Six Provincial Bureaus Issue Joint Notice Calling for Further Relaxation of Policies To Support Township and Town Enterprises"]

[Text] In accordance with the spirit of the instructions from the provincial CPC Committee and government, six bureaus and offices directly subordinate to the province recently issued three joint announcements calling for the further relaxation of policies to enthusiastically support and make things more convenient for the development of township and town enterprises.

The notice, entitled "Concerning Methods Favorable to the Cooperation and Joint Operation of Urban Enterprises, Institutions and Township and Town Enterprises," issued jointly by the Provincial Economic Planning Commission, Bureau of Finance, Personnel Bureau and the Township and Town Enterprises Bureau pointed out that all areas should organize and mobilize technical specialists and management personnel from urban enterprises, institutions of higher education and scientific research units to go serve township and town enterprises. Promising cadres with potential for future development can also be selected from urban enterprises and be recommended to work for the counties and townships to help county and township heads develop township and town enterprises. These enterprises can also employ, based upon the needs of their work, technical and management personnel from various units in the cities and towns. Allocation of such key personnel should be supported from all quarters so long as the presence of such personnel is not absolutely required at their original units. While such personnel are serving in the township and town enterprises there will be no changes in their residential, personnel or wage status. The township and town enterprises will give them subsidies beyond their basic wages, and should highly reward all those who make major contributions to township and town enterprises. At the same time, all urban enterprises, institutions of higher education and scientific research units cooperating or operating jointly with township and town enterprises whose sites of operations are located in the countryside can be regarded as township-run enterprises, and shall enjoy the preferential treatment due to both urban and rural enterprises. Separate accounts for profits earned can be established, and regulation taxes can be waived.

Profits remaining after payment of (other) taxes can be used to develop production, improve the living standards of workers, staff and cadres, and initiate collective welfare work.

According to the announcement issued jointly by the provincial Goods and Materials Bureau and the Township and Town Enterprises Bureau, entitled "On Improving the Supply of Materials and Energetically Supporting Production in Township and Town Enterprises," all goods and materials distributed in a unified way by the departments involved needed by township and town enterprises in production and maintenance should be gradually included in planning at all levels by the various goods and materials departments. These enterprises should be regarded equally with state-run enterprises in relation to supply and distribution of goods and materials. Township and town enterprises should receive priority in the distribution and supply of products needed in daily production, commodities in short supply on the market, export goods and products needed for tourism. Goods and materials meant for these enterprises shall not be intercepted, appropriated or otherwise used by other units. Coal produced by these enterprises exceeding state and provincial plans can be sold by the enterprises themselves. Goods and materials departments shall provide support according to regulations.

According to the notice, "Concerning Standards for Prices and Fees for Products of Township and Town Enterprises," issued jointly by the provincial Commodity Prices Bureau and the Township and Town Enterprises Bureau, products produced by township and town enterprises using raw materials and fuels purchased at negotiated prices that belong to the same category as products falling under the centralized pricing plan can be sold at a price higher than the factory and retail prices for the same category of products if costs of production are higher than those of the same category of products (produced under the unified plan). However, the new pricing must be based on the prices of the same said category of products, and is subject to approval at various levels. Price restrictions are completely waived for small commodities of the third category produced by township and town enterprises. Prices of such products are to be subject only to market fluctuations. Parties involved are allowed to negotiate prices, and different prices are to be permitted within the same market. High quality commodities produced by township and town enterprises can be sold at appropriately high prices.

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PROVINCIAL AFFAIRS

DEVELOPMENT OF TOWNSHIP, TOWN ENTERPRISES URGED

Harbin HEILONGJIANG RIBAO in Chinese 29 Aug 85 p 1

[Editorial: "Go Our Own Route--On Accelerating the Pace of the Development of Township and Town Enterprises in Our Province"]

[Text] After several years of practicing reform, the position occupied by township and town enterprises in the national economy has become increasingly important. In order to achieve the goal raised at the 12th CPC Congress of doubling production, we must rely to a large degree in the countryside on township and town enterprises. If the peasants are to get rich, they cannot do without township and town enterprises. Expanding urban and rural relations is inseparable from township and town enterprises. A major new source of financial revenue for the state comes from township and town enterprises. It can be said that without the corresponding development of township and town enterprises, the economy in neither the cities nor the countryside can flourish. The development of township and town enterprises in Heilongjiang is well behind that of many advanced regions in the nation. At present we still belong to the category of "underdeveloped areas." Therefore, rather than shrink the scope of these enterprises, we should make major efforts to develop them, while working hard, at the same time, to promote agricultural production and industry. How can we appropriately accelerate the development of Heilongjiang's township and town enterprises and change their backward appearance?

We cannot compete for raw materials and markets as industries in large cities do. We would end up blocked at every turn if we tried. Nor can we ignore our own different conditions and blindly copy others. We ought to go our own way, based on the reality of our own particular situation, and build township and town enterprises suited to the characteristics of our province.

What are the special characteristics of Heilongjiang? The primary one is our abundance of natural resources. If we process these raw materials into manufactured goods, we will gain clear economic advantages. Heilongjiang has been called the "great storehouse of the North" because it has been blessed with an abundance of grain and agricultural by-products. If we were to use all these products in processing industries, we would

not have to compete with urban industry for either raw materials or markets. Heilongjiang also has an abundance of mineral resources, particularly coal, which can be found throughout the province. But our mining industry has not developed rapidly, so we have not been able to take advantage of this natural resource. Future prospects for utilizing products that can be found everywhere such as timber, sand and limestone in the construction industry are considerable. There are also possibilities to process flax and products from mountainous areas, as well as the comprehensive utilization of timber, and so on. In short there are numerous opportunities to develop township and town processing industries using Heilongjiang's own natural resources. In addition, Heilongjiang is an old industrial base, with a strong engineering industry and many hot-selling products. We ought to make full use of these advantages and go the "white orchid route" to transform township and town enterprises into factories to produce competitive products in complete sets, to improve the quality of township and town enterprises, and to promote their ability to manufacture new products.

Proceeding from the actual level of agricultural technology and capital available in Heilongjiang, a correct strategy for the present would be to put the emphasis on the development of township and town enterprises run by households and combined households. It has already been proven in practice in many places that this would be a shortcut to develop township and town enterprise in Heilongjiang. There is a great deal of enthusiasm among the masses now for running their own enterprises, and there is a lot of potential in it. We ought to encourage the peasants to "leave the land, but not the village" and to "engage in manufacture without moving to the city." We should permit the peasants to make use of the land to engage in contract work. We should allow industrial and commercial households to move to rural market towns to live, provide them with the space necessary to engage in manufacture or commerce, and reduce their difficulties as much as possible by eliminating their financial burdens and protecting the interests of individuals and combined households running enterprises.

The pace and quality of the development of the province's township and town enterprises will be decided to a large extent by the amount of coordination and support provided by the various departments. All departments should further relax policies, and in the spirit of "serving more and interfering less," should energetically support the development of township and town enterprise. These enterprises should also receive highly preferential treatment in the supply of raw materials. All natural resources, the development and utilization of which is not restricted by the state, such as coal, other minerals, mountain, forest and medicinal resources, all have to become a part of overall planning. Tax departments must proceed from the goal of cultivating tax revenue, and adopt a strategy of making concessions for the sake of future gains. Within the bounds of tax laws, they must reduce or waive taxes as much as possible on township and town enterprises. Industrial and commercial departments ought to relax restrictions regarding the scope of business operations and permit diversification on the basis of one main specialty per enterprise.

Departments of agricultural credit must do all they can to raise funds for township and town enterprises and assist them in enlivening their sources of revenue and raising the rate of utilization. Goods and materials departments ought to exert great efforts to provide these enterprises with part of the raw materials they need. All relevant departments must serve and subordinate themselves to the overall situation, and establish policies, rules and working plans in support of the development of township and town enterprise.

Township and town enterprises in Heilongjiang also should seek assistance from urban technology and capital, and organize technical and economic cooperation on a broad scale with advanced provinces and cities and with large and middle-sized cities within the province. Cooperation should be initiated with large enterprises, scientific research units and institutions of higher education to bring in personnel, technology, equipment and capital for the purpose of promoting the development and utilization of natural resources.

The key to success lies with leadership at all levels. County and township governments must give the development of township and town enterprises a place of priority on their working agendas, and promptly study and solve related problems. Leadership teams at the prefectural, city, county and township levels must allocate appropriately and understand economics, and understand that management cadres must stress township and town enterprises. They must strengthen macroeconomic leadership and support, and avoid interfering in internal affairs.

Despite Heilongjiang's late start in, and relative backwardness of its township and town enterprises, there are still quite a few conditions advantageous to accelerating development and to our catching up with and exceeding the advanced provinces and regions. So long as all levels and parties involved work with one mind and one heart, regard the development of township and town enterprise as part of their responsibilities, and make good use of Heilongjiang's abundance of natural resources and relatively strong economic and technological base, development of township and town enterprise in the province will certainly take on a brand new look.

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PROVINCIAL AFFAIRS

BRIEFS

EXHIBITION OF ZHEJIANG GOODS--Gu Mu, member of the Secretariat of the CPC Central Committee and state councillor, Yan Jici, vice chairman of the NPC Standing Committee, Zhang Jingfu, state councillor, Burhan and Qian Changzhao, vice chairmen of the CPPCC National Committee, and leaders of Zhejiang Province, including Wang Fang, Xue Ju, Li Fengping, Tie Ying, and Shen Zulun, attended an exhibition of housewares produced by second light industrial departments of Zhejiang Province in Beijing on the evening of 17 September. They viewed and spoke highly of the housewares displayed in the Beijing Exhibition Hall. Gu Mu wrote an inscription which reads "Improve the Quality and Increase the Variety to Serve the People's Livelihood." Yan Jici also wrote an inscription, which says: May Zhejiang's Second Light Industry Score Greater Achievements. [Excerpt] [Hangzhou Zhejiang Provincial Service in Mandarin 0400 GMT 18 Sep 85]

ZHEJIANG OUTPUT--According to statistics published recently by the provincial statistics bureau, our province's total social output, total industrial and agricultural output, and national income respectively increased an average of 15.3, 14.8, and 13.6 percent annually during the Sixth 5-Year Plan period from 1981 to 1985. [Summary] [Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 27 Sep 85 OW]

JIANGXI ANNUAL OUTPUT--According to a report by the provincial statistics bureau, during the first 4 years of the Sixth 5-Year Plan, our province's total social, industrial, and agricultural output, national income, financial revenue, and retail sales increased at an annual average of 7.4, 8.1, 7.5, 4.8, and 10.5 percent respectively. During the same period, our province invested a total of 6.5 billion yuan in fixed assets. This year, the province plans to invest another 2.4 billion yuan in fixed assets. In the first 4 years of the Sixth 5-Year Plan, some 10 large- and medium-sized projects, including the Jiujiang No 2 Power Plant, were completed and put into production. By the end of 1984, the province's total urban and rural bank deposits had reached 2.57 billion yuan. [Summary] [Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 29 Sep 85 OW]

URBAN, RURAL TRADE FAIRS--Since the beginning of this year, our province's urban and rural trade fairs have been unprecedentedly brisk. From January to August, the province's total business volume of the urban and rural trade fairs reached 812.47 million yuan, an increase of 55.9 percent over the



corresponding period of last year. This year the amount of major farm and sideline products sold in the urban and rural trade fairs has increased by a fairly big margin. In the first 8 months of this year, some 124.89 million jin of grain was sold, an increase of 70.2 percent over the corresponding period of last year. The sales amount of edible vegetable oil was 1.4 million jin, an increase of 100 percent over the corresponding period of last year. The sales of meat, eggs, poultry, and aquatic products increased by a large margin as compared with the corresponding period of last year. The sales of pork increased by 65 percent over the same period of last year, which were equivalent to 48.3 percent of the retail sales of the state-owned commercial unit. So far, the province as a whole has had 1,220 trade fairs in the urban and rural areas, an increase of 74 trade fairs over last year. [Text] [Changchun Jilin Provincial Service in Mandarin 2200 GMT 30 Sep 85]

NEI MONGGOL ECONOMIC DEVELOPMENT--The Nei Monggol Autonomous Region has actively engaged in economic and technological cooperation with other parts of China. In the first half of 1985, the region signed agreements with over 20 provinces, municipalities, and autonomous regions for introducing 230 million yuan of funds, and concluded 125 economic cooperation projects, thereby greatly promoting economic development in the border nationality areas. Since 1981, the region has forged cooperation ties with 28 provinces, municipalities, and autonomous regions, and introduced a total of 440 million yuan of funds. [Summary] [Beijing XINHUA Domestic Service in Chinese 0106 GMT 30 Sep 85 OW]

JIANGXI REVENUE GROWTH--Jiangxi Province's revenue steadily grew during the Sixth 5-Year Plan period. Total revenue exceeded 5.55 billion yuan in the past 4 years. It is estimated that revenue for 1985 will reach 1.92 billion yuan. Total revenue over the past 5 years reaches 7.472 billion yuan, overfulfilling the Sixth 5-Year Plan target by 8.7 percent. Revenue grew at 9.6 percent annually during the period, exceeding the plan target. Revenue growth outpaced growth in production by big margins in the past 2 years. In 1984, revenue increased by 15.3 percent over 1983, while the total industrial and agricultural output value rose by 13.1 percent. Revenue soared by 40.2 percent in the first 8 months of this year over the same period of 1984. It is estimated that this year's revenue growth will reach 22.8 percent, while the total industrial and agricultural output value will increase by 17.8 percent. [Summary] [Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 1 Oct 85 OW]

SHANGHAI INDUSTRIAL PRODUCTION--Shanghai's industrial output value for the first 9 months of this year amounted to 62,102 million yuan, up 12 percent compared with the corresponding period last year. [Summary] [Shanghai City Service in Mandarin 2300 GMT 4 Oct 85 OW]

HENAN DEVELOPS INDUSTRY, COMMUNICATIONS--Henan's light and heavy industries have been developed in a continuous, steady and coordinated way. From January to September this year, the province's output value of light industry was 27.5 percent over the same period last year; whereas the output value of heavy industry was 19.6 percent over the same period last year. In the first and



second quarters this year, the growth rate of the province's industry was more than the national average growth rate of 23.1 percent. The growth rate was reduced in the third quarter to around 15 percent over the same period last year. The growth rates of energy and raw material industries during the period from January to September varied from 5 to 26 percent over the same period last year. [Summary] [Zhengzhou Henan Provincial Service in Mandarin 1030 GMT 15 Oct 85 HK]

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## ECONOMIC DEVELOPMENT ZONES

### ECONOMIC DEVELOPMENT MODELS FOR GUANGZHOU

Guangzhou GUANGZHOU YANJIU [STUDIES ON GUANGZHOU] in Chinese No 1, 1985 pp 16-20

[Article by Situ Zhongyu [0674 1778 6988 3768] and Zhang Jinyu [1728 6855 5148] of the Guangzhou City Social Science Institute: "Choices of Economic Models Facing Guangzhou After It Is Further Opened; Discussion of Hong Kong's Roles and Functions in China's Opening to the Outside World"]

[Excerpts] Fully Exercising Hong Kong's Functions and Adopting the Foreign-Oriented Development Model Is Imperative

We think that the foreign-oriented development model is a development model capable of marshalling the situation as a whole, accelerating the rapid development of opening to the outside world and guiding Guangzhou in making steady progress. Here, we will first discuss the development goals of Guangzhou.

1. Judged from the overall situation of national development, Guangzhou has two development goals: One is to do a good job in opening to the outside world, combine China's socialist modernization with the present development of the world economy, and build Guangzhou into a foreign economic activity center based on processing which combines processing and entrepot trade and uses Hong Kong and Macao as a springboard. The other is to link the economic activities of southern China and build Guangzhou into an highly efficient and functional economic center of southern China. Different but mutually conditional, these two goals constitute a two-in-one strategic goal. Guangzhou should serve as an economic center of foreign economic relations and trade for southern China. In addition to supplying some commodities to the provinces and autonomous regions of southern China, it should import, through foreign economic relations and trade, advanced technology and managerial expertise for these provinces and autonomous regions and provide them with such services as international market information, import and export storage and transportation, foreign trade negotiations and consultation, credit, international communications and reprocessing and packaging of export commodities. As an open city, Guangzhou should undertake the mission of being the economic center of southern China. By no means should it keep its eyes only on the local production of foreign trade commodities. Instead, it should keep its eyes on the entire southern China and then extend to the foreign economic activities of the whole country. Only by doing so can it have

greater power to open up to the outside world and take up the heavy responsibility of being a foreign economic activity center. In sum, only when it becomes the economic center of southern China can Guangzhou become a foreign economic and trade port. Only when it becomes an international foreign economic and trade city can Guangzhou better exercise its functions as the economic center of southern China.

2. Because of this, Guangzhou must initiate two changes: It should convert its foreign trade strategy from selling in order to buy to buying in order to sell; and it should change from ignoring to emphasizing commercial and trade undertakings. Due to historical and social reasons and the influence of leftist ideas, the management model of small-scale agricultural production and small commodity economy has always been a kind of unwritten economic law to us. Take foreign trade for instance. In the past, we would never sell any products unless we wanted to import certain foreign products--1 jin of eggs was sold for the purpose of exchanging for 2 jin of lamp oil. The movement stopped as soon as the transfer from eggs to lamp oil was completed. The second cycle began only after the 2 jin of lamp oil were consumed. This foreign trade model is no good because such a movement is intended only to supplement certain kind of consumption (mainly production consumption) demands. It only repeats in the process of simple reproduction. It cannot satisfy the demands of socialist modernization undertakings. Therefore, selling in order to buy must change to buying in order to sell. For example, buying 1 million tons of crude oil from abroad is designed for the purpose of selling more processed oil products and various reprocessed commodities on the international market. Carrying out foreign trade is not only intended to supplement domestic demands but also to earn profits from the international market. Only this can be the model of the movement of socialized large-scale commodity economy. Take our attitude toward commercial and trade undertakings as another example. For a long time in the past, production and consumption were separated as if production activities were the only important economic activities while commercial and service industries were all insignificant. Marxists believe that without circulation, production cannot be carried out although production is the foundation for the economic life of society. This is the exact meaning of the saying "No merchants, no life." Especially under the condition of the commodity economy, only by carrying out production during the process of circulation can products become final commodities. Therefore, doing a good job in commerce and other sectors within tertiary industry is critical to the success of exchange in the economic centers and foreign economic exchange.

3. To achieve this two-in-one strategic goal, we must unhesitantly put Guangzhou on a track of economic development oriented toward foreign economic activities. We call this development model foreign-oriented. In the reality of Guangzhou, it is a model based on the processing industry, combining the processing industry with entrepot trade, giving full play to the enthusiasm of the broad masses of overseas Chinese and moving toward the world through Hong Kong and Macao. The main objective bases of adopting such a development model in Guangzhou are natural, geographical, social and economic conditions such as having a large number of overseas Chinese, being adjacent to Hong Kong and Macao, being on the coast of the Nan Hai and having developed light and textile industries. As for the significance and functions of these conditions

in the economic development of Guangzhou, I have made special discussion in an article entitled "Investigation of Guangzhou's Economic Advantages and Conditions To Realize Them" ("XUESHU YANJIU" [ACADEMIC RESEARCH] issue No 6 of 1980) and another article entitled "Guangzhou's Economic Development Strategy and Foreign Trade-Type Economic Structure" ("GUANGZHOU YANJIU" [STUDIES ON GUANGZHOU] issue No 1 of 1982). Because my basic viewpoints have not encountered any differing views in society, I will not repeat them here in order to save space. Here I will concentrate on making additional explanation of the issue of moving toward the world through Hong Kong and Macao. As of today, many people have considered Hong Kong as a place to absorb funds, import advanced equipment, and earn foreign exchange. We think that interpreting Hong Kong's functions and position in Guangzhou's economic development in such a narrow sense is not enough. In order to accelerate the opening up of Guangzhou, we should not only import new technology and earn foreign exchange through Hong Kong, but also develop the advantages of Hong Kong and Macao as a whole (except for Hong Kong's capitalist systems) so as to speed the opening of Guangdong. The significance of Hong Kong in the opening up of Guangdong is intriguing because of its dual position: Hong Kong is the epitome of the world economy in just the right size as well as a place of numerous links with Guangdong (including Guangzhou). By 1997, after Hong Kong's sovereignty is returned to China, Hong Kong will become the epitome for China of the world economy. In this sense, Guangdong need not go across the ocean to open up, because entering Hong Kong is the same as entering the world. Once our foreign trade commodities enter the Hong Kong and Macao markets, it is the same as entering the world market. Judged from the trend of development, as far as the state cause of opening up to the outside world is concerned, Guangzhou and Hong Kong will practice the division of labor in the following manner: As an epitome of the world economy and on the premise of maintaining the status of Hong Kong Special Administrative Area, Hong Kong will become the outer fringe of China's program of opening up to the outside world while Guangzhou, as a large city of southern China, will become the inner fringe of this cause. The two of them will form a zone where the domestic and the world economy will mix. Therefore, expanding economic exchange with Hong Kong will be a shortcut for Guangdong to do a good job in opening up to the outside world. In order to expand economic exchange with Hong Kong and give full play to the positive functions of Hong Kong and Macao in opening up to the outside world, we should not only absorb funds and import advanced equipment from the Hong Kong and Macao areas and earn foreign exchange through Hong Kong, but also learn from them in many fields such as science and technology, management and administration, personnel training and urban management. What is more, we can also hire competent people from Hong Kong and make use of all advanced transportation and communications facilities and all information systems in Hong Kong so as to reduce the gap between us and the world.

4. We should vigorously expand exports and enable foreign trade and exports to become a major motive force of Guangzhou's economic growth. This is an essential characteristic of the "foreign-oriented" development model. Large amounts of import need large amounts of foreign exchange which can only be acquired by vigorously expanding exports. In general, because of the large capacity and flexibility of the international market, the growth rate of exports often surpass that of the national economy. At present, the scale of



Guangzhou's exports is still very small. In the past 30 years or so, the total export value generally accounted for 4 to 5 percent of the total industrial and agricultural output value. This is related to the closed economy of the past. The total output value of developed countries, especially those whose economies are foreign-trade oriented, accounts for a large percentage of their total industrial and agricultural output value. According to 1976 figures, it was 55.4 percent in West Germany, 55.1 percent in South Korea, 35.6 percent in Taiwan, 30.4 percent in Japan, 22.8 percent in the United States, and as high as 10.6 percent in the Soviet Union. If the total industrial and agricultural output value of the Guangzhou area reaches 40 billion yuan and its total export value reaches 20 to 25 percent of its total industrial and agricultural output value, or 8 to 10 billion yuan, by the end of this century, an 18-percent average annual growth rate will be required, based on figures for 1980's export value. Is it possible to attain such a growth rate? According to statistics, between 1978 and 1983, the total export value of foreign trade companies under the administration of Guangzhou City increased 16.7 percent annually if calculated in U.S. dollars, and as high as 37.6 percent if calculated in Renminbi. Therefore, the 18-percent annual growth rate for export value is not impossible. The key to solving the problem of Guangzhou's exports is to reform the management system of foreign trade and allow Guangzhou to exercise greater decision-making power in exports. Once the structural problem is solved, the upgrading and updating of products will become a fundamental issue.

5. We should do a good job in the upgrading and updating of foreign trade commodities. Guangzhou's economic structure is actually a foreign-oriented economic structure based on processing. Therefore, in the context of the new technological revolution, we must correctly handle the relationship between traditional and fledgling industries and establish an export-oriented industrial structure. This kind of industrial structure should, on the one hand, be conducive to the expansion of exports and, on the other hand, maintain a reasonable balance between traditional and fledgling industries or between labor- and capital-intensive and technology- and knowledge-intensive industries. At present, Guangzhou's industrial lineup is very irrational; it is not conducive to the expansion of exports. The proportion of labor-intensive industries is much too large compared to that of technology- and knowledge-intensive industries. In light of current world economic trends, because developed countries are vigorously improving technology and raising the automation level of production, the advantage of the Third World Countries which use abundant cheap labor resources to develop products of labor-intensive industries for exports will gradually diminish. Furthermore, because protectionism is growing stronger and stronger every day, the export trade of developing countries will face an extremely unfavorable situation. Judged by economic results, some people roughly estimated that a complete set of equipment may be worth up to \$100 million whereas \$100 million worth of textile products and light industrial products such as shoes may fill five 50,000-ton cargo ships, thus creating great difficulties for exports. Because of this, we should pay attention to developing as exports the products manufactured by capital-intensive--especially technology- and knowledge-intensive--industries for exports. It is wrong to consider the development of light and textile industries as a focal point of long-term strategy. Of course, for the time being, products of labor-intensive industries such as



light and textile industries are still major export commodities. We still cannot avoid this reality and put undue emphasis on the pursuit and development of capital- and technology-intensive products. We think Guangzhou's industrial structure may be readjusted in the following three stages: (1) Focus on developing existing products which have advantages over others and complete mainly the technological transformation of light, textile and food industries before 1990; (2) focus on ship-building, machine-building, automotive and petrochemical industries and complete the technological transformation of heavy and chemical industries before 1995, with the products of transformed traditional industries reaching or near advanced world levels between the early and mid 1990's; (3) strengthen the study, development and application of new technology and vigorously develop fledgling industries from now on. Beginning in 1990, the focal point of strategy should be gradually shifted from traditional to fledgling industries. By the year 2000, the total output value of fledgling industries should account for a definite amount of total industrial and agricultural output value. The proportion of agriculture and light and textile industries will be reduced. Great efforts should be made to achieve this.

#### Evaluation of the Strategic Tendency of the "Comprehensive" Development Model

Newspapers have published some articles dealing with the issue of Guangzhou's economic development model. In brief, there are generally two opposing opinions: One upholds the belief in foreign-oriented, foreign trade-type development geared mainly to foreign economic activities; the other believes in the "comprehensive" development model geared mainly to domestic economic activities. The first issue of "GUANGZHOU YANJIU" (trial publication) in 1982 carried an article entitled "Guangzhou Economic Development Strategy and Foreign Trade-Type Economic Structure" (abbreviated "foreign trade" hereafter). In view of this article, an article entitled "Foreign Trade-Type or Comprehensive Economic Structure" (abbreviated "comprehensive" hereafter) published in the second issue of "GUANGZHOU YANJIU" (pilot publication) in 1983 proposed the "comprehensive" development model. First of all, we should clarify the concepts. The "comprehensive" article thinks the "foreign trade" type is a single-function economic structure. This is to confuse concepts. The development scale of a city is determined mainly by the strengths and nature of this city whereas the functions of a city is not necessarily tantamount to its strengths. For instance, Guangzhou produces about 100,000 tons of steel annually and it has the function of iron and steel production, but this is not Guangzhou's strength; neither should Guangzhou follow the development model based on iron and steel production. The economic development model and the economic functions of a city (or country) are related, but they are not the same thing. Which of the foreign-oriented economic nations such as Japan and South Korea has only one function? Hong Kong, the prototypical city dominated by foreign trade, exports 80 to 90 percent of its products, but is also an industrial center, a commercial center, a financial center, a shipping center, an information center and a tourist city. What a diversity of economic functions! Guangzhou became a multi-function economic center of southern China long ago. In old China, Guangzhou did not adopt any "comprehensive" economic development strategies; it was only a famous "trading port." However, it still served as a multi-function economic center of southern China. The aforementioned "foreign-oriented" development model uses

foreign economic activities and trade to promote and guide the development of Guangzhou's economy, but it will not weaken the multiple functions of Guangzhou as a central city. Instead, it will strengthen such functions or even help add more economic functions. In order to open up to the outside world, it is imperative for Guangzhou to open up to inland China. In order to absorb "foreign funds and technology," it must carry out "internal integration." In fact, it is also impossible for Guangzhou to export all of its products. A considerable amount of its products still have to be marketed in inland China. Therefore, it is unnecessary for those people who believe in the "comprehensive" model to worry that once Guangzhou is oriented toward foreign trade, its neighboring areas will be unable to get large amounts of machinery, equipment, and consumer goods.

Those who believe in the "comprehensive" model hold that "Guangzhou's role as the economic center of southern China determines that it must develop heavy industry" and "further improve and complete the heavy industrial system," otherwise "it will not be able to play its role as the economic center of southern China" (quoted from p 27 of issue No 2 of "GUANGZHOU YANJIU" (trial publication) in 1983). It is not difficult to see that what they uphold is a development model based upon the heavy industry with small but complete facilities of the processing and raw material industries. With regard to this small but complete development model, we have three opinions that we like to discuss with the author of the abovementioned article:

1. A complete industrial system is of course extremely conducive to fulfillment of an economic center's role. However, we should not say that only cities with heavy industry can play the role of an economic center. In a commodity economy, the main task of an economic center is to promote the development of the commodity economy and serve as the hub of economic activities. If a city can provide quality services in the fields of commodity exchange, commodity transportation, information, finance, posts and telecommunications and science and technology, it is capable of serving as an economic center. Before liberation, there was basically no heavy industry in Guangzhou, but it deserved to be called the economic center of southern China. Anshan is a steel city and a national production base for iron and steel, but this does not make it a typical economic center.

2. We must bear in mind the basic experiences and lessons of Guangzhou's economic construction since liberation. In the past 30 years, all development principles fixed in accordance with Guangzhou's advantages (such as the early 1960s development strategy based on light and textile industries and foreign trade) have achieved definite success. On the other hand, the "small but complete" development principle based upon heavy industry (such as the late 1950s development strategy for building Guangzhou into the industrial base of southern China) has caused many problems and undesirable results. These practical experiences, which have been exchanged for the blood and sweat of Guangzhou's people, cannot be forgotten.

3. The "comprehensive" development model is actually a closed strategic inclination. Building an independent economic and industrial system is necessary and possible for a country like China. However, it will be ridiculous to apply this principle to every individual city, because it is

impossible for every city to acquire all-round development. Why then did the whole nation implement the "small but complete" development strategy based upon heavy industry from the late 1950s to the 3d Plenum of the 11th CPC Central Committee? Among the reasons are two basic ones: (1) During years of war, we were separated by the enemies and blocked in several base areas. The environment forced us to do our own things and make a living on our own within the limits of our own small area. (2) China is a country just now emerging from a semi-colonial and semi-feudal society with a semi-natural economy. We should recognize that advocating the "small but complete" development principle based upon heavy industry without consideration of local conditions is an expression of a consciousness developed within a closed society with a semi-natural economy. If we fail to overcome this tendency, it will be very difficult to give full play to Guangzhou's economic strengths, and it will be impossible for Guangzhou to fulfill its historical mission of opening up to the outside world and serving as the economic center of southern China.

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## ECONOMIC DEVELOPMENT ZONES

### PLURALISTIC DEVELOPMENT URGED FOR SEZS, OPEN CITIES

Guangzhou GUANGZHOU YANJIU [STUDIES ON GUANGZHOU] in Chinese No 1, 1985 pp 32-33

[Article by Gu Yuanyang [6253 3293 3152] of the World Economics and Politics Institute, Chinese Academy of Social Sciences: "The Construction of Special Economic Zones and Economic and Technological Development Zones Should Be Pluralistic"]

[Excerpt] Practical experience has proved that the construction models of free economic zones should be selected in close combination with construction goals. Generally speaking, the free economic zones of other countries mainly have the following three goals: (1) Focus on absorbing funds and increasing employment; (2) focus on importing advanced technology and strengthening research and development; (3) focus on transfer of funds and technology. Due to a lack of development funds and a huge unemployed population, the main goal of most developing countries in building free economic zones is to absorb funds and increase employment. Consequently, they generally choose to build the commercial or industrial model of free trade areas. Some developing countries and areas do not lack development funds, have no serious unemployment problems and enjoy a fairly solid material and technological foundation. Their main construction goal is focused on importing advanced technology and strengthening research and development. Thus they generally choose to build the comprehensive or scientific and technological model of free trade areas. Japan has always focused on importing technology and strengthening research and development. It was not until the mid-1970s that Japan gradually began to utilize foreign capital. At present, some developing countries and areas are gradually shifting their construction goals from absorbing funds to importing technology or to putting equal emphasis on both funds and technology transfer. Because of this, two noticeable tendencies have emerged in the construction of free economic zones worldwide: One is that the commercial and industrial models of free trade areas are mixing together; the other is that along with the rapid development of the technological revolution, the scientific and technological model of free trade areas is becoming more prominent each day. The emergence of these two tendencies enables developing countries to begin readjusting existing free economic zones, while it also enables countries which are going to build new free economic zones to consider the most recent developments so as to avoid choosing an inappropriate or wrong model.



Which model and what kind of a goal are appropriate, then, for China's special economic zones and the economic and technological development zones of China's coastal open cities? Which is better--unitary or pluralistic? Generally speaking, like other developing countries, China lacks both technology and funds. However, because China has a vast territory, natural conditions (such as natural resources, energy and geographical environment), funds and technology vary greatly in different areas. Therefore, it is better for China's special economic zones and the economic and technological development zones of China's coastal open cities to adopt a pluralized principle and, in accordance with the different conditions and needs of different areas, build various free economic zones with different functions. For instance, Xiamen lacks both funds and technology; therefore, it is better for Xiamen to start with the development of free ports and free trade areas so that it can accumulate funds. Similarly, Shanghai has fairly good resources of funds and technology; therefore, it is better for Shanghai to focus on importing advanced technology and strengthening research and development. Or again, Guangzhou has a better developed light industry and enjoys a fairly solid material foundation, but some of its technologies are inferior and some packaging materials of its food industry and some components of its household electrical appliances industry are backward, thus adversely affecting the updating and improvement of its products. Therefore, it is better for Guangzhou to focus its goal of building economic and technological development zones on importing separate key technological items so as to accelerate the updating and improvement of its original light industrial products.

We believe that at the present stage we should strengthen the coordination between and within open areas instead of repeating our conventional practice of small and complete operations. For investment in the development of underdeveloped areas and high technology, more preferential treatment may be given in regard to tax laws. However, preferential measures should not vary too much in economic zones of similar types and similar development conditions; otherwise, driven by the profit motive, investors would concentrate funds in certain preferential areas and withdraw their funds from areas with relatively fewer preferential conditions. This may increase investment in certain areas, but viewed from the situation as a whole, such an increase is meaningless. Instead, it is liable to cause internal confusion. In sum, our goal is to enable the state economy to develop forward, and our preferential policies are designed to enable special economic zones and the economic and technological development zones of coastal open cities to strive in a pluralistic direction favorable to the overall state economy.

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## ECONOMIC PLANNING

### ON ECONOMIC DEVELOPMENT OF MOUNTAIN TOWNS, SMALL CITIES

Jinan DAZHONG RIBAO in Chinese 8 Aug 85 p 4

[Article by Liu Zhigang [0491 1807 0474]: "A preliminary Discussion of the Development of Small Cities and Towns in Mountainous Areas"]

[Text] Small cities and towns in mountainous areas are the political, economic, transport, communications, information, scientific, technological and cultural centers for the people residing in these areas. They are important bases in the development of township and town enterprises. Economic development of small cities and towns is of vital significance to the promotion of construction in mountainous areas.

Since the 3d Plenum of the 11th CPC Central Committee, there has been much economic development in the small cities and towns of the mountainous areas. However, compared with the economically advanced regions, enterprises in these regions still do not have a foundation strong, and in terms of scope, technology, equipment and production ability, are lagging far behind. One important reason for this is the inability to understand the laws of economic development of small cities and towns in mountainous areas. Dialectical materialism tells us that things of the same category have their own particular characteristics of development in addition to adhering to common laws and patterns. Understanding the peculiarities of the development of things is the basis for understanding those things and forms part of the necessary conditions for promoting their development and transformation. Only by genuinely understanding the peculiarities of the economic development of small cities and towns in mountainous areas can their economies be vitalized. This is an important link in the transformation of the backwards appearance of the mountainous areas.

What are the special characteristics of the economies of small cities and towns in mountainous areas? How can we quicken the pace of their development?

First, these hitherto closed areas must be opened up. This is an important tendency in the economic development of all enterprises, and small cities and towns, in particular, are no exceptions.

Due to poor transportation and the isolation of the mountainous areas, contacts between them and large and middle-sized cities are rare, and the

volume of commodity exchange is extremely limited. The advanced equipment and production techniques of the large and middle-sized cities cannot be promptly exported to the mountainous areas, and information concerning commodities entering mountainous areas is often behind the times. The equipment of most township and town enterprises is old, their technology backward, and their products out-of-date. Thus we must put an end to the isolated economic development of small cities and towns in mountainous areas, and open them up. On one hand, vertical relationships must be developed with key enterprises in large and middle-sized cities and lowland areas to organize multi-level "enterprise coordination groups" that overlap urban and rural boundaries and the divisions between different systems of ownership. Or various small parts could be produced and distributed to large urban factories. Otherwise, these small cities and towns could coordinate their work with institutions of higher education and scientific research units to conduct scientific experiments, production, or hold technological training classes, etc. On the other hand, horizontal economic relations must be strengthened within each mountainous area and within and among the enterprises. For example, older factories, main branch plants, key factories and township run factories could assist new, subsidiary, general and village-run factories respectively, by implementing economic and technological cooperation on a broad scale to extend and develop products and introduce seriation in production.

Secondly, based on the needs of the market, enterprises must be run on a firm foundation of local natural resources. Despite an abundance of natural resources, transportation in mountainous areas is not well developed. This necessitates that small city and town enterprises use and process locally local natural resources based on the needs of the market. In this way, mountainous areas can reduce their difficulties in transport as well as save on capital and labor, and increase productivity. In the Yimeng mountainous district, for example, there are over 50 kinds of exploitable mineral resources, including in particular large quantities of uniform, high-quality limestone, gypsum, sandstone, granite, dolomite, marble, yellow sand, and other products which can be utilized in construction. For a small amount of investment, many small cities and towns in mountainous areas can use local materials to develop different mining industries and small cement factories, and receive quick returns. Therefore, using local natural resources to run enterprises based on the needs of the market is an important approach in economic development of the small cities and towns in mountainous areas.

Third is the development of the local specialty industries. All mountainous areas have their own special local products, which if finely processed, would be greatly welcomed on the market. For example, Yimeng's honeysuckle, scorpions, ginkgo nuts, haw, Chinese chestnuts, garlic and other local products are well-known throughout China and abroad. By producing and processing essence of honeysuckle, jinguoyuye [6855 2654 3768 3210], garlic-related food products and garlic sauce, small city and town enterprises in mountainous areas have filled in the gaps of the food processing industry around the Yi He region, and their products do very well on markets outside the area. Therefore, great use can be made of

local specialty products of the mountainous areas to develop production in processing industries.

Fourth is the utilization of traditional handicrafts to greatly develop small-scale handicraft industry. Because of past isolation and the self-sufficient natural economy, the people of mountainous areas developed many unique handicraft techniques, such as weaving with straw and other products, embroidery, wood-carving, stone-carving, clay sculpture, dyeing, etc. The uniquely lovely stone-carved Xugong and Jinxing inkstones of the Yimeng mountainous area are very popular with buyers. The area's exquisitely woven straw products sell well in 30-odd countries and regions in Japan, Europe, America and Southeast Asia. By organizing the local masses to use traditional handicrafts in order to begin different types of small-scale handicraft industries, the small cities and towns of mountainous areas have caused some of these products to become known far and wide, and have brought in much revenue.

Finally, the rational utilization of capital. At present economic development of small city and town enterprises in all the mountainous areas, especially in the poorer areas, suffers from inadequate capital and inability to expand production. In view of this situation, small city and town enterprises in mountainous areas ought to control the extensive expansion of reproduction. That is, it is not appropriate to open too many new factories. Rather, the intensive expansion of reproduction should be strengthened, which means using the limited amounts of available capital to expand, improve and reform enterprises presently in existence. At the same time, older enterprises ought to be able to retain a larger portion of profits earned, to enrich and reinvest in the enterprise and raise the rate of production. In other words, "let the hen lay more eggs." This will produce the quickest and best results with the least amount of investment, which is a good way to solve the enterprises' current difficulties in obtaining sufficient capital. In choosing production structures, the economically developed areas should not be simply copied. Rather the mix of products to be produced should be decided rationally, based on the natural resources and capital available, making good use of local strengths and avoiding weaknesses. Enterprises requiring the intensive application of labor, such as mining, road repair and the initial processing of local specialties should be begun first, shifting gradually to the development of knowledge-intensive industries later.

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CSO: 4006/4

## ECONOMIC PLANNING

### GOVERNOR CALLS FOR QUICKER DEVELOPMENT OF FUJIAN'S ECONOMY

Fuzhou FUJIAN RIBAO in Chinese 4 Sep 85 p 1

[Article: "Understand and Develop Mountainous Areas; Increase Pace of Economic Development in Mountainous Areas--Governor Hu Ping Explains the Strategic Importance of Developing Mountainous Areas in the Reform, Opening Up, and Invigoration of the Province's Economy at the Provincial Conference for Administrative Personnel, Mayors, and County Heads, and Suggests Guiding Ideology and Policies for Developing the Economy in Mountainous Areas"]

[Text] Studying how to quicken the pace of economic development in mountainous areas was the central topic at the provincial conference for administrative personnel, mayors and county heads. On the afternoon of the third, Governor Hu Ping [5170 1627] delivered a report to the conference entitled "Understand and Develop Mountainous Areas; Increase the Pace of Economic Development in Mountainous areas."

Comrade Hu Ping's report was divided into five sections: 1) Understanding Mountainous Areas; 2) The Guiding Ideology in Developing Mountainous Areas; 3) Exploring Ways To Develop Mountainous Areas; 4) Relaxing Policies To Support Mountainous Areas; 5) Strengthening Leadership in Doing Work in Mountainous Areas.

Comrade Hu Ping said: A year ago at this time, we convened a conference of administrative personnel, mayors and county heads and raised the issues of invigorating the economy in cities and counties, eliminating poverty and creating wealth. Over the past year everyone has done a lot of exploratory, beneficial work, gained a good deal of experience, and accomplished much. At the recent Fourth Provincial CPC Congress, the strategy of development calling for an "emphasis on both the coastal and mountainous fronts" was set, confirming the strategic position of mountainous regions in pursuing the four modernizations in the province. prior to this conference, the provincial government sent five investigation teams to carry out fairly broad, in-depth investigations at 29 counties and cities in mountainous areas of the five prefects and cities of Ningde, Jianyang, Sanming, Longyan, and Fuzhou. The provincial CPC Committee, government and relevant departments made a study of the guiding ideology, plans, policies and measures on development of mountainous areas based on the findings of these investigations, and presented it at the conference

for all to discuss. This conference will play an important part in the realization of the Fourth Provincial CPC Congress resolutions. It can also be said that the conference is a continuation and deepening of last year's provincial conference of administrative personnel, mayors and county heads.

He said that although the conference has focused primarily on studying mountainous areas, it has also touched upon the overall economic situation in Fujian, and is related to the important issue of whether the province can take the lead in the construction of the four modernizations. The coastal and mountainous areas have the task of coordinating their efforts to support each other in order to promote the enrichment of Fujian. Furthermore, mountainous counties are to be found in coastal prefectures, and mountain townships are to be found in coastal counties. Therefore, general policies, principles and methods used to develop mountainous areas are equally applicable to coastal areas. Because of this, the development of mountainous areas forms a part of the strategic plans for the entire province and is a common mission for the people throughout the province.

Finally, Comrade Hu Ping emphasized that developing mountainous areas and changing their poverty stricken appearance is necessary in the construction of the four modernizations in Fujian and is the ardent hope of the people of the mountainous areas. It is both an economic job and a political task. Let us struggle together to further enrich our mountainous areas!

Today's conference was presided over by the assistant governor, Comrade Huang Changxi [7806 7022 3305]. More than 800 persons from organs directly subordinate to the province and relevant units attended the conference.

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ECONOMIC MANAGEMENT

EXPERTS STUDY BUSINESS MANAGEMENT MODERNIZATION

OW261052 Beijing XINHUA in English 1037 GMT 26 Oct 85

[Text] Beijing, 26 Oct (XINHUA)--Seventy business management experts gathered here today to start work on drawing up a program aimed at modernizing China's enterprise management.

Zhang Yanning, vice-minister of the State Economic Commission, said the program would aid the establishment of a modern socialist business-management system during the seventh five-year plan (1986-1990).

The program should also help lay a solid foundation for rapid economic growth during the last decade of this century.

It will aim to improve the quality of products and reduce consumption, and will set targets for management for different enterprises to achieve, said Zhang, who is in charge of the program.

Yuan Baohua, also vice-minister of the commission, stressed that the modernization of enterprise management was vital in the current economic reforms. China needed not only clear goals, but also concrete measures to improve management.

The 70 experts from 9 large and medium-sized cities and Liaoning Province began surveying present business-management conditions in March, and have already offered suggestions.

The program will be discussed early next year at a national economic conference, which will be empowered to approve it.

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CSO: 4020/53

## ECONOMIC MANAGEMENT

### BRIEFS

SHOPS LEASED TO INDIVIDUALS--Beijing, 30 Oct (XINHUA)--More than 60 percent of small state-owned retail shops and restaurants owned by the state have been leased to individuals or collectives or have become collective enterprises over the past year. They used to make little or no money, but now responsibility for their profits and losses has been handed over to their managers, Commerce Ministry officials here said. The move is part of the ministry's efforts to decentralize much of the commercial sector. In many cases, power has been devolved to local officials over business dealings, planning, pricing, bonuses and penalties. For example, the ministry has transferred most of its 596 purchasing centers to the administration of the cities where they are located. Meanwhile, up to the end of last year, the ministry had set up 1,645 trading centers to further unclog the circulation channels, the ministry officials added. [Text] [Beijing XINHUA in English 0945 GMT 30 Oct 85]

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CSO: 4020/53

INDUSTRY

BRIEFS

SHANGHAI TV ANTENNAE--Shanghai, 9 Sep (XINHUA)--The production of three types of domestically developed antennae for ground stations to receive satellite-transmitted television broadcast has been officially started. These antennae are the 6-meter and 7-meter aluminum parabolic antennae and their related parts, developed by the Shanghai Xinya Radio Plant and the Shanghai Broadcasting Equipment Plant; and the 6-meter all-glass parabolic antenna and its related parts, developed by the Shanghai Rediffusion Equipment Plant. These antennae are strong enough to withstand winds of up to Force 10 and are easy to maneuver. [Summary] [Beijing XINHUA Domestic Service in Chinese 0108 GMT 9 Sep 85 OW]

YUNNAN DEVELOPS BUILDING INDUSTRY--According to YUNNAN RIBAO, the data provided by the provincial statistics bureau reflects that the building industry has greatly developed during the Sixth 5-Year Plan. It is expected that the industry will complete 4.5 billion yuan worth of projects in the period, excluding those undertaken by the rural areas, and town and township enterprises. It is expected that the province will have built houses with a total area of 16 million square meters in the five years. Last year, the productivity of the building industry was 74.7 percent more than that of 1980. [Summary] [Kunming Yunnan Provincial Service in Mandarin 1100 GMT 15 Oct 85 HK]

CEMENT PRODUCTION--In 1984, cement factories operated by China's townships and towns produced more than 19 million metric tons of cement, and 95 percent of the output was up to the required standard. [Summary] [Beijing Domestic Service in Mandarin 1200 GMT 8 Sep 85 OW]

CSO: 4006/137

## CONSTRUCTION

### LIAONING MAKES PLAN FOR BUILDING JINZHOU HARBOR

SK180027 Shenyang LIAONING RIBAO in Chinese 28 Sep 85 p 1

[Text] From 18 to 20 September, in accordance with the directives of the State Planning Commission and the Ministry of Communications, the provincial Planning and Economic Commission held a meeting to examine a feasible research report on the Jinzhou Harbor project in Jinzhou. Leaders, specialists, and scholars from 46 units participating in the meeting unanimously adopted the feasible research report and approved the building of a commercial port in Bijiaoshan, Jinzhou.

In August 1984, the state approved the preparatory work for the early-stage portion of the Jinzhou Harbor project. Through arduous sea operations, engineers and technicians of the first navigation institute under the Ministry of Communications, the provincial communications research institute, and the marine environmental protection research institute under the State Oceanography Bureau cooperatively submitted a feasible research report. Through practical investigations and conscientious studies and discussions, the representatives held: In order to enliven the economy of Jinzhou and the western part of Liaoning, to promote the comprehensive opening of the Liaodong peninsula, alleviate the strains on railway transportation, and share the loading and unloading work with Dalian Harbor, the construction of Jinzhou Harbor is very urgently needed. We have feasible natural conditions for building Jinzhou Harbor. The overall arrangements in the report are reasonable.

Jinzhou Harbor is an open harbor. The construction of the harbor is mainly supported by the localities with state subsidies. It will gradually be built into one of the key ports in Northeast China. The preliminary plan for the first-stage work is to build two 5,000-ton-class berths for oil products and sundry goods. The annual goods transportation volume of these two berths will be 1.58 million tons. The construction, according to plans, will take 3 years, and will begin next year.

CSO: 4006/137

CONSTRUCTION

LIAONING: DALIAN SHIPYARD'S XIANGLUJIAO AREA UNDER RENOVATION

SK180542 Shenyang LIAONING RIBAO in Chinese 29 Sep 85 p 1

[Text] The renovation and expansion of the Xianglujiao new area of the Dalian Shipyard began on 18 September. Upon completion of the project, the Dalian Shipyard will become China's biggest ship assembly plant with modernized equipment, and will join the ranks of the world's advanced shipbuilding enterprises.

Situated at the northeast corner of Dalian City, and surrounded by mountains on three sides, the Xianglujiao new area has a wide and deep sea area with low waves, has transport facilities, and is ice-and silt-free, thus being a rare and precious area for shipbuilding. After large-scale expansion on two occasions, a 100,000-ton-class semi-submerged shipway, the largest one in the country, and a large-scale assembly and welding plant have been built in this area. To expand foreign trade and ship exports to meet our country's need in developing ocean shipping, the state has listed the renovation and expansion of the Xianglujiao new area as one of the key projects this year. This renovation and expansion project covers a ground space of more than 220,000 square meters. After the renovation and expansion project, it will be possible to build a 200,000-ton-class berth with an annual shipbuilding capacity of 760,000 to 790,000 deadweight tonnage.

The Dalian Shipyard is also renovating its old plant building. Upon the completion of the Seventh 5-Year Plan, the annual shipbuilding capacity of the old plant will be raised by more than 100 percent.

CSO: 4006/137



CONSTRUCTION

SHANDONG LEADERS ATTEND INAUGURATION OF DONGYING AIRPORT

SK160612 Jinan DAZHONG RIBAO in Chinese 30 Sep 85 p 1

[Excerpts] The first-phase construction of the Dongying Airport serving the Shengli oil field, China's first airport for enterprises, which was built with the assistance of the Air Force of the Jinan Military Region, was successfully completed and inaugurated on the morning of 29 September.

Comrade Hu Yaobang was very happy upon hearing the news of the completion and inauguration of Dongying Airport. On 10 September, he was happy to start writing the characters for "Dongying Airport."

Dongying Airport is one of the key supporting projects for the Shengli oil field. The construction of this airport is of great significance in accelerating the development of the Shengli oil field and the Huang He Delta, and in implementing the policy of opening to the outside world.

Attending the ceremony to make the opening of the airport to air traffic were Yang Xingfu, standing committee member of the Shandong Provincial CPC Committee; Ma Shizhong, vice governor; Lin Jigui, commander of the Jinan PLA Air Force; Liu Huanqi, deputy commander; Hao Baoqing, deputy chief of staff of the Jinan Military Region; and Yan Zhuo, deputy commander of the provincial military district.

Li Ye, secretary of Dongying City CPC Committee and secretary of the CPC committee of Shengli oil field, delivered a speech at the ceremony. A delegate from the Ministry of Aeronautics Industry read out a congratulatory message. Ma Shizhong, Lin Jigui, and Wang Fuzhen, director of the General Office of the Ministry of Petroleum Industry, cut the ribbon for the opening of the airport.

CSO: 4006/137

CONSTRUCTION

JIANGSU'S GU XIULIAN AT PORT PROJECT CEREMONY

OW161401 Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 13 Oct 85

[Excerpts] The first-phase project of the (Xinshengwei) zone of Nanjing port has been checked and accepted by the government, and was put into operation this afternoon. More than 500 people attended a ceremony marking the occasion. They included Gu Xiulian, governor of Jiangsu Province; Huang Zhendong, vice minister of communications; and responsible persons of the State Planning Commission and of provincial and Nanjing City departments concerned.

The (Xinshengwei) port zone is situated on the southern bank of Chang Jiang and 15 kilometers from Nanjing City proper. Endowed with especially favorable natural conditions, the zone is open the year round to vessels of up to 10,000 metric tons. The first-phase project of the (Xinshengwei) port zone is one of the key construction projects of the Sixth 5-Year Plan. The project includes three new piers of 25,000-metric-ton-capacity each, three new anchoring berths for 10,000-metric-ton-class vessels, a total of 48,000 square meters of storage areas and supplementary facilities for production and everyday activities.

The first-phase project of the (Xinshengwei) port zone has now been put into operation. Its main purpose will be to serve Jiangsu Province and the Nanjing area in importing and exporting foreign trade commodities, and to serve the five provinces along the upper reaches of Chang Jiang in transshipping their foreign trade commodities. It is expected to play a major role in further implementing the policy of invigorating the national economy and opening to the outside world.

CSO: 4006/137

## CONSTRUCTION

### HEBEI BUILDS MORE HIGHWAYS TO MOUNTAIN AREAS

OW181403 Beijing XINHUA in English 1223 GMT 18 Oct 85

[Text] Shijiazhuang, 18 Oct (XINHUA)--Hebei Province has extended highways to 80 percent of its remote mountainous villages.

This north China province, which surrounds China's capital city of Beijing, has a varied topography. Two thirds of the province are mountainous but they produce one third of the province's grain, one fifth of its edible oil crops, and over half of the dried and fresh fruits.

Up until May of last year, surfaced highways linked only a half of the province's 1,600 towns.

To develop the economy in the mountain areas and help the villages shake off poverty and backwardness, the province called upon the local people to build highways. The local governments, the communications department and the villagers raised 11.45 million yuan in construction funds.

In addition, the state allocated 41,500 tons of food grain, 1,200 tons of cotton, and 4,300,000 meters of cotton cloth to subsidize the highway builders.

Now, 15,500 of the 19,000 administrative villages are accessible by highway.

The villagers are now earning bigger incomes because they can get their products to city and town markets. They also plan to develop marble and other rich mineral resources as well as the wild medicinal plants which about in the area.

CSO: 4020/41

CONSTRUCTION

GUANGZHOU-SHENZHEN RAILWAY RENOVATION UNDERWAY

OW181658 Beijing XINHUA English 1522 GMT 18 Oct 85

[Text] Guangzhou, 18 Oct (XINHUA--Construction is now under way to double-track and electrify the Guangzhou-Shenzhen railway to meet the increasing transportation demand on this major artery from Hong Kong to inland areas of China.

An official from the Guangzhou railway bureau noted here today that 136 km of the over-70-year-old railway are presently being double-tracked, accounting for 93 percent of its total length. Meanwhile, 110 km are being electrified, he added.

The annual passenger transport through Shenzhen railway station increased from 2.9 million people in 1980 to 3.9 million in 1984 after Shenzhen was made a special economic zone and was empowered to implement special policies in its foreign trade in 1979.

The annual goods transport through the station to Hong Kong has surpassed two million tons.

The renovation work started in February last year. It includes expanding and improving 18 railway stations, three large-sized and 10 medium-sized bridges, and six fly-overs along the line.

The Shenzhen station will be expanded from the present 5,000 square meters to 27,000 square meters.

The official said the construction work on the stations will be completed by the end of this year. The double-tracking will be finished by 1986, and electrification will be accomplished by 1987.

CSO: 4020/41

CONSTRUCTION

HEBEI IMPROVES HOUSING, LIVING CONDITIONS

OW221625 Beijing XINHUA in English 1625 GMT 22 Oct 85

[Text] Shijiazhuang, October 22 (XINHUA)--A quarter of the 11,310,000 rural families in Hebei Province have moved into new brick-built houses over the past five years, a housing official here said today.

About 13.15 billion yuan have been invested in building 230 million square meters of housing over the period by provincial authorities, collectives and individuals, and 116 counties, or 80 percent of the total, are meeting their construction targets.

These efforts, together with improvements in living standards, have enabled millions of peasants to move from traditional mud cottages to smart modern homes, the official said.

The rapid development of rural commodity production is providing more and more rural villages with the means to build houses, schools, homes for the aged, nurseries, cultural centers and meeting halls.

Some have surfaced village roads with concrete, built drains and installed running water, solar energy and even telephones.

All of the 712 families at Gengguantun, Qingxian County, have moved into rows of brick houses. The village now has a theater, floodlit playing court, park, hospital, shops and exhibition halls.

CSO: 4020/41



## CONSTRUCTION

### BRIEFS

**GUANGDONG HIGHWAY BRIDGE**--Guangzhou, 28 Sep (XINHUA)--Construction of the Jiujiang Bridge, in Guangdong's Zhujiang Sanjiaozhou, began on 28 September. This is one of the major construction projects in Guangdong Province. The bridge is located at Jiujiang, presently a major ferry on the Guangzhou-Janjiang Highway. [Summary] [Beijing XINHUA Domestic Service in Chinese 1527 GMT 28 Sep 85 OW]

**HEILONGJIANG ETHYLENE PLANT**--Harbin, 1 Oct (XINHUA)--The No 1 Boiler of the thermal power plant of Daqing Ethylene Chemical Complex was put into test-operation on 30 September. This chemical complex is one of China's key construction projects. It has 12 productive installations and 71 ancillary and supporting projects, with a total investment of 4.2 billion yuan. The first-stage work covers seven productive installations, six of which have been completed. The 225,000-kw power plant supplies all the energy needed by this complex. [Summary] [Beijing XINHUA Domestic Service in Chinese 0912 GMT 1 Oct 85 OW]

**SATELLITE RECEIVING STATIONS**--The Nanjing Radio Plant assumed the task of building two satellite ground receiving stations for Golog Zang Autonomous Prefecture and Yushu Zang Autonomous Prefecture in Qinghai Province. The station for Golog Zang Autonomous Prefecture was installed and put into operation on 15 September with good results. [Summary] [Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 16 Sep 85 OW]

**HEBEI RESIDENTIAL CONSTRUCTION**--Over the past 5 years, Hebei Province has built more than 230 million square meters of houses for peasants. Among the 11.31 million peasant households in the province, some 600,000 households have moved into new houses annually on an average. [Summary] [Shijiazhuang BEBEI RIBAO in Chinese 23 Sep 85 p 1 SK]

**SHANXI HIGHWAY FOR COAL TRANSPORT**--Taiyuan, 5 Oct (XINHUA)--Four highways newly constructed or reconstructed by Shanxi Province to transport coal to other localities have been completed. A ceremony was held today to mark the completion of the four highways, which were opened to traffic 1 year and 3 months ahead of schedule. The four highways are the Beijiazao-Sunqizhuang section of the Datong-Tanggu line; the Baimaoling-Didu section of the Yangquan-Jingjing line; the Jincheng-Dakou section of the Taiyuan-Louyang line; and the Jincheng-Zhanglukou section of the Jincheng-Boai line.

Two of the four highways are multilaned. A total of 95.42 million yuan has been spent on the four highways totaling 248 km and having 35 bridges and 17 culverts along them. According to estimates of departments concerned, the annual coal transportation volume of the four highways will increase from 6.75 million metric tons to 23.12 million metric tons.

[Article by reporter Zhang Wei] [Excerpts] [Beijing XINHUA Domestic Service in Chinese 0819 GMT 5 Oct 85 OW]

**ZHEJIANG HOUSING CONSTRUCTION**--Since 1981, housing projects completed each year in cities and towns in Zhejiang Province have averaged 5.14 million square meters in floor space. Calculated on the basis of 50 square meters for a household, this means that 424,000 households have moved into new housing units in 5 years. The floor space occupied by each person has increased from 5.5 square meters at the end of 1980 to 6.8 square meters at present. [Summary] [Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 1 Oct 85 OW]

**ZHEJIANG WATER SUPPLY**--During the Sixth 5-Year Plan period, water supply in Zhejiang Province's urban areas improved markedly with construction of 69 new waterworks from 1981 to 1984. With completion of these projects, daily water supply to urban residents increased by 720,000 metric tons. By the end of 1984, the province had a total of 171 running water plants. Currently, running water is available to 96.9 percent of the urban population. [Summary] [Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 2 Oct 85 OW]

**JIANGXI TELECOMMUNICATIONS PROJECT**--The design work for the microwave telecommunications project, linking Nanchang, Xinyu, Ganzhou, and Pingxiang has been completed and construction work commenced. Approved by the Jiangxi Provincial Government and the Ministry of Posts and Telecommunications, the project is scheduled to be completed in 2 years. After completion, Nanchang, Xinyu, Jian, [word indistinct], Yichun, and Pingxiang will be able to use automatic long-distance telephones, and receive stereo radio broadcasts and high quality color television programs. The provincial planning commission and the provincial posts and telecommunications administration held a work meeting on the project in Nanchang 25-27 September. Vice Governor Qian Jiaming addressed the meeting. [Summary] [Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 30 Sep 85 OW]

**ARCHITECTURAL USE FOR COMPUTERS**--Beijing, 9 Oct (XINHUA)--Chinese architects have begun to make use of computers to aid in architectural design and building. According to information provided by the symposium on application of computers to architectural design, which was held in Beijing 9 October, 1 national, and over 50 local computer centers have been set up in China to aid architectural design and building. These centers have installed some 1,000 large and medium-sized computers and microcomputers, and are manned by 1,300 computer professionals. The architectural design units throughout China have applied computers in complicated engineering computations, while construction enterprises have employed them to improve management and work efficiency. [Summary] [Beijing XINHUA Domestic Service in Chinese 1212 GMT 9 Oct 85 OW]

SHENGLI-QINGDAO PIPELINE--Jinan, October 19 (XINHUA)--Work has begun on a new double oil pipeline from Shengli oilfield, the country's second largest, to an oil terminal in Qingdao, a port city in Shandong Province. The computerized pipeline, which runs between Dongying, the oilfield's headquarters, and Huangdao, one of the islands that make up the city of Qingdao, is 246.3 kilometers long and designed to carry 20 million tons of oil a year. The project is scheduled to go into operation next year. Major material and equipment for the pipeline and its supporting facilities were imported from Japan, the United States and Britain. The old oil pipeline serving Shengli, with an annual transport capacity of 10 million tons, went into operation in 1974. [Text] [Beijing XINHUA in English 0742 GMT 19 Oct 85 OW]

TIANJIN GEOTHERMICS RESEARCH CENTER--Tianjin, October 17 (XINHUA)--Construction has started on China's first geothermics research center on the campus of Tianjin University. The 800,000-yuan project was financed jointly by the State Science and Technology Commission, the country's former Ministry of Education, and the Tianjin Municipal Science and Technology Commission. Designed to have a total floor space of 2,200 square meters, the center will undertake to study basic theories of geothermics, technology for developing terrestrial heat, collect geothermal information from all over the world and provide geothermal therapy for patients. The project is scheduled for completion by May 1986. Tianjin City is a pathbreaker in the development of geothermal energy. With three geothermal zones, the city has drilled 356 wells with a combined annual production capacity of heat equal to over 100,000 tons of standard coal. China began to develop geothermal energy in the 1960s, and a decade later, it began to use geothermal energy to generate electricity. There are at present eight geothermal power stations in China, with a total generating capacity of 8,000 kw. [Text] [Beijing XINHUA in English 0648 GMT 17 Oct 85 OW]

YELLOW RIVER FLOATING WATERWORKS--Lanzhou, October 18 (XINHUA)--A floating waterworks is under construction on the Yellow River near Lanzhou, capital of Gansu Province. The installation is designed to supply Lanzhou's No 1 woolen mill with water for production as well as drinking water for its workers. It will produce 12,000 tons of purified water a day when it goes into operation in June 1986. The floating waterworks is a mobile water treatment and supply plant with equipment compactly fixed on a special ship. It can be used on any large river and can be set up in five or six months. Water treatment capacity ranges from 500 to 50,000 tons. The first floating waterworks was designed and built in 1975 by the Northwest China Designing Institute for Municipal Construction. China has successfully put 20 such waterworks into operation and is planning to build more. After giving a national award for the design, China has now officially applied for an international patent. [Text] [Beijing XINHUA in English 0805 GMT 19 Oct 85 OW]

GUANGXI HOTEL CONSTRUCTION--Nanning, October 18 (XINHUA)--Construction work is nearing completion on a luxury hotel in the south China coastal city of Beihai. The four-star Fulihua Grand Hotel, the first of its kind in the Guangxi Zhuang Autonomous Region, is likely to be completed next month, a local official said today. It is one of a number of hotels being built in the city to meet rapidly-growing demand. Beihai was one of the 14 coastal cities opened to foreign trade and investment last year. In the two years up to July, the number of hotels quadrupled to 117. Another 20 are now under construction, the official said. Other major construction schemes now under way include an airport and a wharf which will be able to accommodate 10,000-ton ships. [Text] [Beijing XINHUA in English 0856 GMT 18 Oct 85 OW]

CSO: 4020/41

## FOREIGN TRADE AND INVESTMENT

### PROBLEMS OF SILK KNITWEAR EXPORT MARKETS ANALYZED

Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 2, Mar-Apr 85 pp 20-21

[Article by Li Changjin [2621 7022 6651]: "Current Status and Future Prospects for Silk Knitwear Exports"]

[Text] China has produced silk for several thousand years and been known as "the land of silk," and silk is one of our traditional exports and is famous throughout the world. Silk knitwear gained popularity in the 1970s, China began producing and exporting it, and the product thus has attracted wide attention.

Silk knitwear is very resilient; breathes well; is soft, smooth and comfortable; and therefore is popular among some consumers. China now exports \$200 million yuan worth of this product to a dozen or more regions. Thus this new product has won acclaim among commercial circles.

Nevertheless, we must realize that the product is still in the trial-sales stage, and we must not be overly optimistic about the growth and prospects for its sales. To be sure, some comrades believe that natural fibers have become popular once again abroad, that silk is the "king of natural fibers," that the product was once widely consumed, that we can therefore expect rapid and large growth in exports and that we should have little problem exporting several tens of millions of U.S. dollars of the good. Thus many factories are drawing up plans and hope to charge into this market. Some comrades, on the other hand, believe that as the "land of silk," China has abundant sericultural resources and that it is both necessary and worthwhile for China to try to vary and upgrade her silk knitwear and continue to study, improve and expand her silkwear production and exports. But, these comrades believe, this work must be done in proper sequence and in a planned way. We should not charge into this work precipitously, nor should we entertain overly high expectations regarding its speed and results. Units and regions having poor access to transportation and weak productive forces should not rashly charge into this work, for the expected economic results would be unobtainable, enterprises would suffer losses, and the effort would not be worth it. This writer favors this second viewpoint.

First, in terms of the history of the development of this product, exports have grown slowly, not rapidly, and with periodic fluctuations. Shanghai, for



example, began experimental production and export of the good during the early 1970s, and after several years of effort, exports reached only \$100,000-plus by 1977. Exports grew more rapidly in 1978 and 1979, reaching \$300,000 and \$1.8 million, respectively, but declined 1980 and 1981, to \$1.3 and \$1.05 million, respectively. There was a rebound in 1982 and 1983, when sales topped \$1.6 million and \$2.5 million, establishing a new record for silk knitwear exports. Nevertheless, we should note that this record level took 10-plus years of effort to achieve, and this is not rapid growth.

Second, the number of importing countries and regions is not very large--only 10-plus places, most of which are concentrated in the Americas, which account for more than 65 percent of our exports. Though we have been able to sell the product to advanced capitalist countries like those in the EEC and Japan, volume has not been very great, usually only several tens to 100-plus thousands of U.S. dollars, and there has been no major growth in the past several years. In addition, though there is also a certain amount of sales to Hong Kong, most of the goods are reexported to Europe and the Americas and very little is actually sold in Hong Kong.

Third, the product lacks variety. At present, exports consist mainly of underwear (including briefs), which comprise more than 85 percent of the total. Other products, such as pajamas, gowns, and dresses, have very small volumes. And though there are more styles for such changeable fashionwear as dresses (embroidered), these products are very insignificant in volume.

The above suggests that China's silk knitwear exports do not follow a straight and smooth path but rather advance through constant exploration, against great difficulty, and with much fluctuation. Why is this the case? According to our analysis and that by our customers, the reasons lie primarily in the following four areas.

1. Consumers of silk knitwear are somewhat limited in number and will not increase very much in the foreseeable future. I once said to a Hong Kong businessman, "You made several special visits with Italians to knitting mills in Shanghai to acquaint yourselves with and observe silk knitwear production. We originally planned to cooperate trilaterally in compensation trade. Why have you not continued the talks?" Very emotionally, he told me that he had learned from many parties that demand for the product would not be very great, because most young men and women, who have very handsome physiques and would be even more attractive, elegant and vigorous-looking if they wore silk knitwear, have limited economic resources and rarely give any thought to this type of product. On the other hand, though rich businessmen and people of the upper class could look even more noble in such clothing, most of these people have big pot bellies and dare not put on such airs even though they have the money.

2. After washing, silk knitwear usually must be ironed because it wrinkles badly and thus loses its attractiveness. This also affects the market for the product to a certain extent. A Japanese company held a silk apparel show at its headquarters in Osaka and included a fashion show to attract customers. No silk knitwear was modeled, so we asked why. The company's general operations manager explained that most Japanese women cannot wash and iron silk knitwear



themselves and must send the clothes to special laundry shops, where each garment costs at least 300 to 400 yen to clean. This is inconvenient and uneconomical. No wonder our silk knitwear exports to Japan have fluctuated around only \$100,000 a year and made no breakthrough. This is another factor affecting sales of our silk knitwear.

3. In recent years, some countries that are advanced in textile technology, especially Japan, have reproduced the characteristics of real silk knitwear with chemical fibers, produced various types of imitation-silk knitwear and confused the real thing and the fake. Our general agent for silk knitwear sales in Australia recently visited China and told us that there are many Japanese imitation-silk knitwear products on the Australian market. These products closely resemble real silk in characteristic and use but are cheaper, do not require ironing, and are exerting a big impact on the market for our real McCoys.

4. The technique of producing real-silk knitwear is more difficult than that for knitwear made with other fibers. Many links, from silk selection, to spooling, knitting, bleaching and dyeing, to afterfinishing, turning fabric into garments, and packaging, require sophisticated techniques. And in many areas, such as the ability of garments to hold their shape and remain wrinkle-free, color fastness, color brightness and the like, our producers still fail to meet the demands of foreign consumers.

In summary, after 10-odd years of effort, we have established something of a foundation for silk knitwear, but due to the inherent shortcomings of the product it will be hard to achieve a takeoff in future development. If we continue in our work, however, the product is bound to become a major export commodity. To this end, we should emphasize the following work: In regions where we have already established a market, we should select capable customers to serve as our agents so that our foreign marketing work is assigned to specific companies; use these regions as springboards for opening new markets, integrate industry and trade, technology and trade, and region with region in order to give full play to the advantages and expertise of each; organize special task forces to resolve urgent problems in production; import necessary advanced equipment and dyes required in production so as to improve product quality; improve package design; and integrate shipping and all other links so that our silk knitwear is safely and rapidly delivered to customers. We believe that continued mutual effort among all quarters may enable our silk knitwear to become popular fresh flowers in the garden of garments.

12431

CSO: 4006/763

FOREIGN TRADE AND INVESTMENT

BRIEFS

FRG FIRMS SUPPLY ELECTRICAL EQUIPMENT--MAN-B+W Diesel GmbH is going to deliver three power stations with 10 large diesel motors and with a total output of approximately 90,000 kilowatts to the PRC. The total value of the order comes to just under 50 million DM. According to a company report, Siemens AG will supply all the electrical equipment such as generators, switching facilities, and transformers. [Text] Standard Electric Lorenz AG (SEL) in Stuttgart is going to set up two factories in the PRC for the manufacture of cables and equipment for the development of the Chinese telephone network. The firm reported in response to questioning that contracts have already been negotiated with the appropriate Chinese authorities. Both Chinese plants, which will be built in the province of Fujian and are expected to start production in 1987 will employ at first about 250, and later about 400 workers. SEL estimates the business volume at 40 million DM to begin with, and about 80 million DM after the initial phase. The plants are to be run as joint enterprises, with the Chinese owning the controlling interest. [Text] [Munich SUEDEDEUTSCHE ZEITUNG in German 23 Sep 85 p 19]

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CSO: 4620/8

## TRANSPORTATION

### INTRODUCTION TO XIANGQIAN RAILWAY

Beijing TIEDAO ZHISHI [RAILWAY KNOWLEDGE] in Chinese No 3, 28 May 85 pp 2-3

[Article by Wu Chunjian [0702 4783 0313] and Han Mei [1383 2734]: "The Xiangqian Railway -- An Important Link Between Southwestern and South-Central China"]

[Text] The Xiangqian [Hunan-Guizhou] Railway starts from Zhuzhou in Hunan Province. After crossing the Xiang Jiang, it runs through Xiangtan, Loudi, Jinzhushan, Xinhua, Xupu, Huaihua, Xinhuang, Yuping, Dalongbao, Zhenyuan and Kaili and ends at Guiding in Guizhou Province. Its total length is 820 km. With its east end connected to the Jingguang and Zhegan lines and its west end connected to the Qiangui line which is connected to Chuanqian and Guikun lines at Guiyang, the Xiangqian Railway is an important link between southwestern China and south-central and eastern China. It is also one of the three main east-west arteries running in China's railway network (the Longhai and Jingbao-Baolan railways are the other two). It is of great political, economic, and military significance.

#### The Vicissitudes of Road Construction

There are many inaccessible high mountains in western Hunan and eastern Guizhou. Travelers have always been afraid to go there. Li Bai, the great Tang dynasty poet, was exiled to Yelang for a long period of time (today's Yelangba in Tongzi County of Guizhou Province), Wang Changling was exiled to the faraway land of Longbiao (north of today's Wan Shui in Hunan Province), and Wang Yangming of the Ming dynasty was banished to Longchang (today's Xiuwen County in Guizhou Province). "Mountain peaks border the sky and are inaccessible even to birds, travellers are homesick and cannot tell east from west," sighed the poet over the remoteness of this area. For many years, the people of Hunan and Guizhou provinces had yearned for a railway to link them to the outside world, and yet this wish was not realized for many years. In order to gain imperialist support, the northern warlord Yuan Shikai when he was in power sold the construction rights of the Shaxing Railway (from Shashi of Hubei to Xingyi of Guizhou) to England. In the spring of 1937, the Kuomintang Government began the construction of a section of approximately 220 km between Xiangtan and Xinhua. By March 1939, over 170 km of tracks were laid between Xiangtan and Lantian. This section was not put into operation because the Xiang Jiang bridge was not completed. In the same year, this

section was dismantled because the Japanese invasion extended to western China. After Japan surrendered, the section between Zhuzhou and Bantang was reopened to traffic.

After liberation, beginning in 1953, the construction of this railway was carried out and completed section by section and put into operation on a temporary basis. The section between Zhuzhou and Xiangtan was officially open to traffic after the Xiang Jiang bridge of Xiangtan, whose piers were constructed before liberation, was completed in March 1954. The reconstruction of the old line between Xiangtan and Xinhua, which is the middle section of the railway, was carried out by the people beginning August 1958 and completed and put into operation in 1962. The construction of a new section between Xinhua and Guiding began in 1959 and was suspended once. The entire railway was officially tested and put into operation in January 1975. At present, the whole railway is single tracked except for a 15.4-km section between Zhuzhou and Xiangtan, which is double tracked.

### The Underground Great Wall

The Xiangqian Railway enters the eastern section of the Yungui Plateau along the border of the Lianghu Plain. It traverses the Xuefeng Mountain Range, runs through the Xiang Jiang, Lian Shui, Zi Shui and Wanshui, crosses the Wu Shui five times and the Qingshui Jiang three times, and runs through the watershed of the Yunwu Mountain Range in eastern Guizhou where land rises and falls sharply. Many sections of this railway run through faults, lava caves, underground rivers, quicksand and mollisol areas. The construction of these sections was extremely difficult. The maximum slope limit of this railway is 0.6 percent in ordinary sections and 1.2 percent in difficult sections. Its minimum curve radius is 650 meters. The effective radius of its railway stations is 680 meters. It uses semi-automatic block signals, open-wire communications and steam locomotives with a pulling capacity of 1,400 tons.

Bridges and tunnels account for 23 percent of the total length of this railway. In the 276-km section in Guizhou Province, there are 148 bridges and tunnels, accounting for over one-third of its total length. On the average, a train runs into a bridge and a tunnel once every km. Some sections are crowded with bridges and tunnels. For instance, the 24-km section that runs through the Xuefeng Mountain Range has 24 tunnels and 14 bridges which add up to 15.7 km, accounting for 65.4 percent of the total length of this section. In the 10-km long section between Xinqiao and Naba, there are nine tunnels and nine bridges which add up to 8.039 km, accounting for 80 percent of this section. Because of this, the Xiangqian Railway is likened to an "underground great wall" and a "sky corridor." The highest bridge of this railway is the 78-meter Jian'gan He Bridge. The longest tunnel is the 2,819-meter Xinpai Tunnel running through Laoya Mountain. The construction of the triple-track Da'ao Tunnel was formidable but imposing. The construction volume of this tunnel is five times as much as that of a single-track tunnel with the same length. It has been likened to an "underground auditorium."

### Goods and Resources

Areas along the Xiangqian Railway are abundant in goods and resources. As the saying goes: "When the Huguang area reaps a bumper harvest, there will be plenty for all of China." Hunan is one of China's major granaries. Xiangtan is a rising industrial city specializing in iron and steel, mining and electrical machine-building industries. It is especially famous for the production of manganese. Its embroidery is famous at home and abroad. Xinhua is China's major lead and zinc production area. It is also the production base of Hunan porcelain. Its glazed color porcelain is famous traditional product. Huaihua is the transport center for tung oil, paper and leather produced in western Hunan. Mercury produced in Tongren and other places in eastern Guizhou is centralized at the Balong railway station and then distributed to all parts of China. Yuping has always had the reputation of being the "home of the flute." Annually, it produces 160,000 flutes, which won a gold medal at the Panama International Fair in 1915. Yuping also produces 9,190 dan of tea oil seeds a year. It received an award certificate of "the home of tea oil" from the State Council in 1959. Kaili is a rising industrial city based on machinery, electronics, textile, electrical machinery, timber and light industries, of which electronics, heavy spar and timber are particularly famous. Guiding is famous nationwide for its flue-cured tobacco.

### Scenic Spots and Historical Sites

There are many scenic spots and historical sites along the Xiangqian Railway. When a train travels westward from Zhuzhou, passengers see extensive plains, crisscrossed water canals and beautiful southern scenery. Xiangtan is the former residence of General Peng Dehuai. Chairman Mao Zedong used to live in Shaoshan. According to legend, Xupu, "the home of oranges," is the place where Qu Yuan wrote the poem "Ode to Oranges." Huaihua used to be called Yushuwan where Qu Yuan wrote the lines "the Wan Shui has Dahurian angelica while the Li Shui has orchids." It is a place that grows fragrant grass and fresh flowers.

The Fanjing Mountain of eastern Guizhou is 2,494 meters above sea level. It has tall, thick forests and beautiful and serene scenery. It is a famous natural resource conservation area. Nearby Tongren is a special district of eastern Guizhou where He Long and Guan Xiangying led the Workers' and Peasants' Red Army in carrying out the revolution. In the county seat, a memorial hall has been built at the former residence of Zhou Yiqun. In Mu Huang, a monument has been erected to commemorate the event in which the second and sixth army group of the Workers' and Peasants' Red Army joined forces. Yuping, which is the east gate of Guizhou, has eight scenic spots including "Qixingdiexiu," "Wanjuanshuya" and "Shiliandangyue" in its suburbs. Huangping County which is not far from the Gulong railway station has Feiyun Cliff--the "No 1 scenic spot of southern Guizhou." Wang Yangming, a philosopher of the Ming dynasty, once praised this cliff by saying "all the mountains of the world are in Yunnan and Guizhou and all the beauty of Yunnan and Guizhou is in this cliff." The Jiming Pass of Qingxi is strategically located and difficult to traverse. As the saying goes "one man stands guard and ten thousand men cannot pass." It is a strategic pass between Hunan and Guizhou. The ancient city Zhenyuan is located at the foot of Leigong Mountain, over 2,000 meters above sea level. It has Qinglong Cave, known as "the No 1 cave of eastern Guizhou." During the Ming and Qing dynasties, Buddhist monks of southeast Asian Buddhist countries



often made pilgrimages here. Newly opened "Xiaosan Gorge" has tall mountains, narrow roads and beautiful scenery. In 1819, Lin Zexu, governor-general of Guangdong and Guangxi provinces, came by Zhenyuan and wrote a poem to praise it. The poem goes: "An ominous river runs between two mountains/ A narrow winding road hinges on the mountain foot/ Travellers walk in the mountains with their shadows in the river/ My courage fails before my body falls." This shows how dangerous this area is. Kaili is the capital of the Qiannan Bouyei-Miao Autonomous Prefecture in southeastern Guizhou. It has such scenic spots as Xianglu Mountain, Dafeng Cave and Jinhu Spring.

#### Today and Tomorrow

In the 10 years since commencing official operation, the Xiangqian Railway has played a great role in linking the communications of southwestern, south-central and eastern China and developing goods, resources and the economy of areas along the railway line, particularly the mountainous areas of western Hunan and eastern Guizhou. Most of the timber, coal and phosphate rock produced in southwestern China are transported to Hunan, Jiangsu, Zhejiang and Guangxi through the Xiangqian Railway. At present, the annual transport volume of this line is approximately 5 million tons, of which 30 percent is coal produced at Liupanshui, Guizhou. According to incomplete statistics, the freight volume of the section in Guizhou reached 1.152 millions tons in 1984, a 1.5-fold increase over the 1975 figure of 440,000 tons. While freight volume was increasing sharply, passenger volume also doubled and redoubled. The section of the Xiangqian Railway in Guizhou alone transported 1.855 million people in 1984, a better than 1-fold increase over the figure of 1975, which was 870,000 people.

In order to adapt to the overall takeoff of the national economy and the development of tourism, the Xiangqian Railway has been included in the state electrification plan, to be constructed gradually from west to east. Along the line, 23 traction transformers will be built and 98 stations will be transformed. After adopting the technique of electric concentration, the hauling capacity of this railway will increase from the current 1,400 tons to 3,500 tons, and its annual transport capacity will increase from the current 5 million tons to 1.2 million tons.

The Xiangqian Railway has a bright future. The economic takeoff of the areas along the line is in sight.

12302

CSO: 4006/926

## TRANSPORTATION

### INTRODUCTION TO BEILUN HARBOR RAILWAY

Beijing TIEDAO ZHISHI [RAILWAY KNOWLEDGE] in Chinese No 3, 28 May 85 pp 7,9

[Article by Wang Yimin [3076 6654 3046]: "The Beilun Railway--An Artery Leading to the 'Great Harbor of the East'"]

[Text] In the coastal area of eastern Zhejiang, efforts are being stepped up to construct a railway leading to China's foreign trade harbor--Beilun harbor of Ningbo.

#### Overview

The Beilun Railway is a part of the Xiaochuan (Xiaoshan-Caiqiao Town) line as well as an extension of the Xiaoyong (Xiaoshan-Ningbo) line. The total length of the Xiaochuan line is 186.74 km, of which 147.28 km is the Xiaoyong line which was begun in 1953 and officially went into operation in November 1959. Roadbeds and culverts between the South Ningbo station and the Daqi station were basically completed in 1957. The construction of the line between Daqi and Caiqiao was suspended later before it was started. Therefore, the line between the East Ningbo station and Daqi of the Beilun Railway is being restored and reconstructed while a new line is being built between Daqi and Beilun harbor.

The Beilun Railway runs from the South Ningbo station in the west to Beilun harbor in the east via Yin and Zhenhai counties. Its total length is 37.3 km. Along the line there are six stations including East Ningbo, Qiujie, Baozhong, Dagan and Chenhua. Most of the line goes through late-quaternary quicksand and mollisol areas along the coast. It is characterized by low intensity, high compressibility and high water content. Because of this, special techniques such as basal sand layers and drainage sand piles are used to strengthen the foundation.

This line traverses an area of crisscrossed rivers, scattered lakes and rolling hills on the peninsula. Along the line, one large bridge, over 50 small and medium-sized bridges, over 60 culverts and 3 highway-railway tiered overpass bridges will be built. The line is designed as a class I single-track trunk line. Its minimum curve radius is 600 meters. Its slope limit is 0.4 percent overall and 0.58 percent in individual sections. ND2 diesel

locomotives will be used to pull passenger cars and QJ steam locomotives will be used to pull freight cars.

Reconstruction of this railway began in November 1983. By the end of 1984, tracks had been laid all the way to Beilun harbor. It is estimated that the line will be completed and open to traffic in June 1985.

#### Beilun Harbor With Exceptional Gifts of Nature

Beilun harbor is China's biggest ore transfer port at present. It has three berths, including one to accommodate 100,000-ton vessels and another to accommodate 25,000-ton vessels. Four of its berths for sundry goods are being expanded. Its loading and unloading operations are computerized and its equipment is advanced. The water within the 10-km coastal line around the port is 18 to 20 meters deep. The port is silt and ice free year round. With small waves and broad water and land areas, Beilun harbor can accommodate 150,000-ton huge vessels without any difficulty, which is a real gift of nature compared with other ports of China. Foreign experts praise it as the "crown of China's ports."

According to the investigation of relevant experts, after the port area is fully utilized and the construction of the wharf is completed according to requirements, the annual turnover volume of Beilun harbor can reach 100 million tons or more. By then, it can compare with Rotterdam harbor of Holland--the world's largest. Dr Sun Yatsen, the great pioneer of the democratic revolution, once planned to build a great harbor in the east. After the founding of new China, Premier Zhou Enlai always paid great attention to this. In 1984, the Second Plenum of the Sixth NPC passed a bill on the development of a great harbor in the east. As the world's shipping industry is developing toward large tonnage, Beilun harbor, which is located in the strategic hub of international shipping, will be gradually built into a modernized international shipping center. Thus the Beilun Railway clearly will have immeasurable economic value as a link between Beilun harbor and its hinterland.

The Beilun Railway will become a main artery for Zhejiang, Anhui and Jiangxi to transfer goods to be shipped by sea to other parts of China or abroad. It will also become a main artery for the imports and exports of joint international container transportation. By then, coal produced in Pingxiang of Jiangxi, nonferrous metals of southern Jiangxi, porcelain and rice of northern Jiangxi and southern Anhui, and tea, silk, and arts and crafts of Zhejiang will be transported to Beilun harbor through the Beilun Railway and then shipped abroad or to other ports of China. Marine products of the Zhoushan Islands, oil of the continental shelf of the East Sea and goods imported from abroad such as timber, cement, chemical fertilizer and iron ore will be continuously transported to the inland area over this railway. The Beilun Railway will integrate the harbor and inland railway networks, thereby making great contributions to China's four modernizations.

## Rivers, Lakes, Scenic Spots and Historical Sites

Along the line are many lakes and rivers with clear waters and weeping willows. The charming and serene scenery is typical of the south. There are also many scenic spots and historical sites along the line. The famous Tiantong temple has great influence in Japan and southeast Asian countries. In the 16th year of the Jiading period of Song dynasty, Master Dao Yuan, a famous Buddhist priest from Japan came across the ocean to study here. After he returned to Japan, he founded the Caodong Sect of Buddhism, which now has over 8 million followers. In recent years, many famous Buddhist priests and scholars of Japan came to worship at the Tiantong temple. They also erected a monument to the Caodong Sect of Japanese Buddhism. The Tiantong temple is located in the Tiantong Forest Park, surrounded by mountains and lush forests. This picturesque park is one of China's three major natural forest parks. It covers an area of 4.1 sq km, including scenic spots, scientific education areas (botanical gardens), campgrounds and tourist service areas. Wang Anshi of Song dynasty praised it in a poem which goes: "Lush mulberries and eudranias of all mountains made the sky green, orioles sang amid valley breeze on a spring day, at the end of a 20-li walk along pine trees, a Buddhist temple stood out among blue hills."

The Tianyi Pavilion, known as the "southern city of books," is located to the west of Zhuzhou of Ningbo City. It is China's oldest library. It was built 400 years ago by Fan Qin, aide to the Ministry of War during the Jiajing period of Ming dynasty. The Tianyi Pavilion library is listed as a major unit for the state protection of cultural relics.

In addition, there are Dongqian Hu, Xikou scenic spot and Nanxi hot springs along the railway line. Across the ocean is the Haitian Buddhist mountain, one of China's four famous Buddhist mountains. It has always been a sacred mountain for Buddhists in Japan, Southeast Asia and China. It is also a great tourist attraction and summer resort.

12302

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## TRANSPORTATION

### INTRODUCTION TO LINGBA LINE OF HAINAN ISLAND

Beijing TIEDAO ZHISHI [RAILWAY KNOWLEDGE] in Chinese No 3, 28 May 85 pp 8-9

[Article by Mo Ping [5459 1627] and Wen Renguang [2429 0086 0342]: "An Introduction to the Lingba Railway of Hainan Island--Another Road in the South"]

[Text] Hainan Island is a treasured island of the motherland and a bright pearl of the Nan Hai [South Sea]. Located in the subtropical zone, this island has a mild climate, abundant rainfall, lush plants and rich natural resources. On the southwest coast of Hainan Island, a new line, the Lingba Railway (Lingtou-Bashuo) is now under construction.

#### A Link Between Existing Railways

During the War of Resistance Against Japan, in order to plunder the natural resources of Hainan Island, Japan built a 200-km railway from Sanya to Shilu on the southwest coast of Hainan Island between 1942 and 1945. After Japan surrendered, the corruption and incompetence of the Kuomintang Government and the corrosion and destruction caused by typhoon and flood forced the railway to shut down. After the founding of the PRC, in order to develop the iron mines of Shilu and carry out the Xihuan railway plan, the 50-km Shiba line (Shilu-Bashuo) and the 94-km Sanhuang line (Sanya-Huangliu) were reconstructed in 1957 and 1960, but the 70-km line between Huangliu and Bashuo was not restored. The Lingba line (Huangliu to Bashuo), now under construction, is like a link that connects the two lines of Shiba and Sanhuang to form a 214-km long iron and steel artery between the "tourist city" Sanya and the "iron city" Shilu.

The Lingba line is part of the Xihuan line in the railway plan of Hainan Island. It begins at Lingtou in the south, runs through six communes in Dongle and Dongfang counties, and ends at Bashuo in the north where it is connected to the Shiba line. Its total length is 70 km (including the 19 km between Huangliu and Lingtou). This line runs through a flat area with rivers, alluvial soil, beaches and plain. Its slope limit is 1 percent and its minimum curve radius is 500 meters. A total of 18 bridges, 135 culverts and 6 stations--Lingtou, Banqiao, Gancheng, Xinchun, Foluo and Yuechun--are planned to be built along the line. This railway is one of the 10 major development projects of Hainan Island. Its construction started in January of



1984 and is expected to be completed and open to traffic before the National Day [1 October] 1985.

#### The Vanguard of Economic Takeoff

In April 1983 the CPC Central Committee and the State Council issued a circular on accelerating the development and construction of Hainan Island. In April 1984, the CPC Central Committee again decided to include Hainan Island in the list of open areas. As the vanguard of economic takeoff, the Lingba Railway, after being completed and connected to the Shiba and Sanhuang lines, will make great contributions to the economic takeoff of Hainan Island and the defense of coastal areas and territorial seas.

There are three oil bases in the Nan Hai. Two of them--the Yingge Hai and Beibu Wan bases--are in the waters of Hainan Island. With the cooperation of foreign businessmen, the Nan Hai West Oil Corp has sunk 16 test wells and found two fairly large oil and gas fields in these two bases since 1981. The natural gas well sunk in the Yingge Hai can produce as much as 1.2 cubic meters a day. Its deposits are estimated at over 60 billion cubic meters. In 1984, eight foreign oil companies explored in an area of over 30,000 sq km in the western Nan Hai. Hong Kong's major businessmen want to build 300 chemical enterprises to serve oil exploitation. As large-scale construction projects for oil exploitation are carried out, large amounts of crude oil and products to be processed locally rely on railway transportation, as well as the means of production and subsistence needed for oil exploitation. Other modes of transportation cannot handle these tasks.

Yangpu harbor is a natural freshwater port in the west part of the island. It will be built into a large port with several 10,000-ton berths. Construction officially began in 1985. The construction of the Lingba Railway must be carried out in tandem with port construction. The completion of the Lingba line will create good conditions for the construction of railways linked to Yangpu harbor and Haikou City, the capital of the Hainan Special Administrative Area, and eventually for the completion of the Xihuan Railway.

The Lingba Railway, which will link two harbors (Sanya and Bashuo) and four counties (Dongfang, Changjiang, Ledong and Yaxian), can facilitate imports and exports. It can also replace most of the highway transportation and free large numbers of trucks to be used for short-distance transport in minority areas. According to a preliminary investigation, after the Lingba line is open to traffic, the annual freight transport volume will increase by 1 to 1.5 million tons while the annual passenger transport volume will increase by 400,000 to 500,000 tons in the next few years. Mineral products along the line such as limestone, cobalt, titanium and salt, timber from the Jianfengling and Daoxi forest farms, raw materials from refineries along the line and gravel and slate from stoneyards will be transported mostly through railways. This will alleviate transportation shortages.

The failure to connect the Shiba and Sanhuang lines has caused many difficulties for railway operation and management. The Hainan Administrative Office has a complete set of locomotive and railway car maintenance equipment in Bashuo Town. But, when the locomotives and railway cars of the Sanhuang

line need to be checked and repaired, they have to be taken apart and trucked to Bashuo and trucked back to Huangliu after they are repaired. Over 10 freight cars are discarded each year due to the lack of timely maintenance. The high costs of trucking have jacked up the cost of railway transportation. When there are typhoons, storms or emergencies, it is impossible to do rush repairs. After the Lingba line is open to traffic, this abnormal phenomenon of "managing trains by trucks" will come to an end. In addition, after they are connected, the three lines of Hainan Island will make a greater contribution to safeguarding territorial waters and strengthening national defense.

#### A Transit Line for Tourism

After the Lingba line is completed, trains may run directly from Shilu to Sanya. Famous scenic spots along the line include Yulinzhou Mountain, Hanma Fubo Well, Jianfengling Forest Farm, Yinggehai Salt Mine and Tianya Haijiao, Dadonghai and Luhuitou scenic areas which attract both Chinese and foreign tourists.

Yulinzhou is a small mountain, about 100 meters high, standing on a beach across from Bashuo harbor. The hill is steep with rows and rows of jagged rocks of grotesque shapes, and there is only one flight of stairs leading to the top. An ancient poet chanted: "What seemed to be scales towering into the clouds turned out to be a place of unique beauty after I climbed it with the help of my cane. I kept turning around to see the rocks of grotesque shapes and lush plants extending across overlapping mountain peaks. A spring left a clear well and roaring as left mountains shaking. I must be in heaven, or where else would I find sea mountains in the sea?"

"Tianya Haijiao" scenic spot is located at the foot of the southernmost mountain of the island--Maling--and about 26 km away from Sanya Town. Among rows and rows of towering rocks are a pair of huge bluish grey rocks standing high by the water. In the front of these rocks are the inscriptions of "Tianya" and "Haijiao" and on the back are the inscriptions of "Tianya Haijiao Scenic Spot" and a poem written by Guo Moruo [6753 3106 5387]. About 300 meters to the east is a strange tall and straight rock in the shape of a circular cone standing all alone, called "Nantian Yizhu." Around it are thousands of rocks, some submerged in the water with tops showing, others standing on the beach in all kinds of poses, forming a beautiful natural picture. The unique beauty of the "Tianya Haijiao" scenic spot is reflected in the inscription of an ancient poem which goes: "Engraved on the red cliff are the words Tianya/ Carved on the steep rock are the words Haijiao/ If you look toward the south/ You can see a pillar standing between the heaven and the earth." What used to be described by ancient poets as "a place where one cannot bear to be heartbroken and homesick" has now become a famous tourist area.

A towering mountain peak to the west of Dadonghai is the "Luhuitou," about which there are beautiful and touching legends; it is a famous scenic spot. Here, tourists can drink in the charming subtropical scenery of the coast, freely enjoy the magnificent fast changing view of the Nan Hai, and find endless entertainment and pleasure.

## TRANSPORTATION

### INTRODUCTION TO HUNBAI LINE IN JILIN

Beijing TIEDAO ZHISHI [RAILWAY KNOWLEDGE] in Chinese No 3, 28 May 85 pp 13-14

[Article by Hu Chengyin [5170 2110 1377]: "The Hunbai Railway, A Line Leading to the Immense Changbai Forest"]

[Text] The Changbai Mountains of northeast China attract Chinese and foreign tourists with immense forests and a beautiful lake called Tian Chi. If you are interested in visiting this area, you may take a train from Tonghua. After travelling 9.5 hours or 277 km, you will arrive at the Baihe Station, located in the midst of the mountains, where you will transfer to a bus. An hour later, you will be at the top of Baitou Mountain drinking in the magnificent scenery of Tian Chi.

The 277-km route involves three railways. The 21 km between Tonghua and Yayuan is a section of the Meiji (Meihekou-Jian) line; the 39 km between Yayuan and Huijiang is a section of the Yada (Yayuan-Dali) line; and the final 217 km is the entire Hunbai Railway.

#### Profile of the Line

Located at the northern foot of the Changbai Mountains in southern Jilin Province, the Hunbai Railway begins at Hunjiang City in the west, runs through, from west to east, Wangou, Songshu Town, the Songjiang He, Quanyang and the Lushui He, and finally ends at Baihe Town of Antu County of Yanbian Chaoxian Autonomous Prefecture. It is 217 km long and has 19 stations and nine railway stops along the line. Some of the stations such as Xianren Bridge, Zhubao Ridge, Yingbi Mountain and Lizihe are all picturesque scenic spots.

This railway was originally constructed to meet the needs of forestry development. It was originally called the Changlin line which was changed to Hunbai line after the section between Lushui He and Bai He was opened to traffic in 1974. The 17 km between Hunjiang and Sanchazi were constructed during the period of Japanese puppet regime and the remaining 200 km was constructed section by section during the period between 1955 and 1974.

The line runs through the Changbai Mountains. It traverses tall mountains, thick forests, winding river valleys, steep cliffs and sharply rising and

falling land. Its maximum slope limit is 3 percent and minimum curve radius is 250 meters. There are 301 curves which amount to 103.6 km, accounting for 47.7 percent of the total length of the line. There are 84 bridges with 9 running across the Songhua Jiang. The Bai He Bridge of Toudao is 235 meters long and 29.4 meters high. There are five tunnels. The famous Fengyeling Tunnel is 2,300 meters long. There are 341 culverts, one for each 0.5 km. Passenger trains travel at 27 km per hour.

The highest temperature along the Hunbai line is 38 degrees centigrade, the lowest 44 degrees below zero. During the October-April snowing period, there are heavy snowstorms, and snow-blowing machines have to be used frequently. Many sections suffer freeze damage. The worst frost swelling on record is 760 mm high. To ensure traffic safety, large amounts of manpower have to be used each year to clean out the railway line. For each km of railway, they lay 0.5 cubic meters of boards, pour 1 ton of salt and replace 20 cubic meters of soil. Due to serious freeze damage, concrete cross-ties are laid only over 37 km to the Dadong Station; the remaining 180 km of railway have wooden cross-ties.

#### Timber, Coal and Mountain Delicacies

Located in southeast Jilin and on the border between Korea and China, the Changbai Mountains are rich in natural resources--the "Changbai Forest Sea." It is also the production area of the three treasures of northeast China--ginseng, mink, and pilose antlers. In 1980, the UN listed this mountain area as an international biosphere protection zone. In addition to primeval forests, there are also abundant coal resources along the line. There are six forestry bureaus, including Sanchazi and Wangou, and six coal mines, including Zhazi and Babao. The plywood of Sanchazi, the fiberboard of the Songjiang He, and the Korean pine of the Lushui He are all famous, hot-selling products. Quanyang has a factory which produces boards for use in making sewing machines by the Shenyang Sewing Machine Plant.

Except for a few small stations, railway stations along the line all have market places selling a variety of special local products. For example, they sell such wild animals as deer, roe deer, wild rabbits, pheasants, grouse, squirrels and badgers, such mountain delicacies as yuan, zhen and houtou mushrooms, black edible fungus, and such precious medicinal herbs as garden grown ginseng, tuber of elevated gastrodia, bulb of fritillary, fruit of Chinese magnoliavine, glossy ganoderma and bulao herb. Here, people can even find such high-class tonics as wild ginseng, pilose antlers, bear gallbladders and toad oil.

Timber and coal are the primary cargo of the Hunbai Railway. About 9.7 million tons are transported annually.

#### Scenic Spots of the Changbai Mountains

The Changbai Mountains are rich in natural resources. It is also a famous tourist area. Its mountain peaks, immense forests, the Tian Chi, waterfalls, hot springs and other scenic spots are all very special.



On the top of the main peak--Baitou Mountain--is Tian Chi, which is the border lake of Korea and China. The lake is shaped like a basin. It covers an area of 9.2 square km. The deepest spot in the lake is 312.7 meters. The inside of the Tian Chi is steep cliffs formed by white pumice stones and rough surface rocks. It is like a bowl made of jade with superlative craftsmanship. The lake is as smooth as a mirror with the reflection of jagged rocks and steep cliffs. The scenery here is charming and beautiful.

There is an opening in the north part of the Tian Chi, called Tamen. Rushing through Tamen, the lake water forms a 68-meter-high waterfall which is like a cascade of white silk hanging down from the sky with silver dragons dancing and thunder roaring in the air. As the poem goes: "Flying water pours straight down 3,000 chi/ I wonder if it is the Milky Way that has fallen down from the highest heaven." The scenery is magnificent and breathtaking. This is the fountainhead of the Songhua Jiang, the Tumen Jiang and the Yalu Jiang.

To the north of the Tian Chi, about 900 meters from Changbai Waterfall, there is an area of hot springs spreading over 1,000 square meters. Water temperatures vary in different hot springs, but remain the same all year round. The hottest is 82 degrees centigrade. The water has the content of hydrogen sulphide and therefore is of a fairly high therapeutic value. Bathhouses have been built for tourists to bathe in.

The Wenquan Railway stop of the Hunbai line is a famous convalescent area. There are four convalescent hospitals--Tielu, Linye, Meikuang and Difang. Hot springs are therapeutic for rheumathoid arthritis and skin diseases. Thousands of staff members and workers are received here annually from all over China.

The forest scenery of the Changbai Mountains has attracted a growing number of foreign and Chinese tourists, foreign guests and Hong Kong and Macao compatriots. The Changbai Mountain Ski Resort, completed this year, has received a Japanese ski team for the first time. This area will be developed into a large sports competition and training center.

Along with the thriving economy and the developing tourism, the passenger volume of the Hunbai Railway has increased at an annual rate of 13.6 percent in the past few years. The annual passenger transport volume has reached 4.4 million people. At present, two pairs of slow passenger trains are run each day and the trains are often overloaded.

The rapid development of the favorable situation has imposed new demands on railways. If train speeds can be raised, if fast passenger trains can be operated, and if old-fashioned cars which have both hard and soft seats can be transformed into cars of the RZ-22 model which only have soft seats, the Hunbai Railway will be able to make greater contributions to revitalizing the economy of the mountainous areas and developing the tourism of the Changbai Mountains.

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CSO: 4006/926



## TRANSPORTATION

### BRIEFS

**TIANJIN-TANGGU HIGHWAY**--Tianjin, 1 Oct (XINHUA)--A new highway between Junliangcheng, in Tianjin's eastern suburbs, and Tanggu on the Bo Hai coast was completed and opened to traffic on 1 October. This is an 18.6-kilometer, high-quality road with an asphalt-concrete surface. [Summary] [Beijing XINHUA Domestic Service in Chinese 0914 GMT 1 Oct 85 OW]

**NORTHWESTERN HIGHWAYS**--Xian, 3 Oct (XINHUA)--There are now over 125,000 kilometers of highways crisscrossing China's 5 northwestern provinces. Highways have been built in each and every county; and 88 percent of towns are accessible to motor vehicles. A highway network, with Xian, Lanzhou, Xining, Yinchuan, and Urumqi as hub cities, has begun to take shape. There are also four highways to the Soviet Union and Pakistan. [Summary] [Beijing XINHUA Domestic Service in Chinese 0143 GMT 3 Oct 85 OW]

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TAIWAN

BRIEFS

INTELLECTUAL PROPERTY RIGHTS PROTECTION--Taipei, Oct. 17 (CNA)--The Government of the Republic of China has decided to take more positive actions to protect intellectual property rights of foreign nationals, Vice Economics Minister Li Mo said Thursday. Li made the remarks while explaining a government proposal to revise the existing trademark law to a joint meeting of the economic affairs committee and legal affairs committee of the Legislative Yuan. Li said that the proposed revision is aimed at protecting trademark rights, eliminating commercial piracy, removing trade barriers and encouraging industrial innovations. According to the proposed revision, foreign nationals or companies may file legal suits in the Republic of China to protect their patent trademarks from infringement by Chinese people or companies even if such trademarks have not been registered here. [Text] [Taipei CNA in English 1414 GMT 17 Oct 85 OW]

OIL EXPLORATION WITH LIBYA, OTHERS--Taipei, Oct. 9 (CNA)--Chinese Petroleum Corp. is discussing with officials of Libya, Egypt, and Australia for cooperative exploration of oil in the three countries, a company spokesman said Wednesday. CPC has been engaging in joint-operation oil explorations in Indonesia, Malaysia, the Philippines, Ecuador, Oman, the United Arab Emirates and Mauritania. According to the official, four wells in Ras Al Khaimai [spelling of name as received] in the UAE in which CPC has invested, has started yielding about 12,000 barrels of crude a day. CPC is eligible to share 10.1 percent of the total output. In the previous year, the official said, CPC obtained over 350,000 barrels of crude from the Khaimai joint venture. [Text] [Taipei CNA in English 1019 GMT 9 Oct 85 OW]

CSO: 4020/39

HONG KONG MEDIA ON CHINA

PRC FORECASTS SILK EXPORTS OF U.S.\$1 BILLION

HK250557 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement)  
in English 25 Oct 85 p 5

[Article by Francine Brevetti, recently in Shanghai]

[Text] China's silk garment exports should hit U.S.\$1 billion this year, according to government projections despite unwelcome side effects of the country's economic reforms.

The China Silk Corp attributes much of the boom in overseas sales to a transition from traditional embroidered products--such as blouses--to high-fashion dresses and other items.

But officials acknowledge that China's program of industrial responsibility pits domestic sales against exports, making the latter less essential than before.

Factory production managers have been given more autonomy to make certain business decisions--and to make profits, which their factories can retain.

They can make domestic sales independently, establishing their own sales and using other channels.

Previously, they could sell only to the Government's import/export entities.

Shanghai's factory No. 3, a weaving plant, used to receive money from the central government for investment. "Now we go to the bank," said the local communist Party Secretary and factory spokeswoman, Ms Xu Shuxin.

"Our domestic customers are retailers. We have direct contact with our customers all over the country. We are not limited to the province," she said.

This new development may spur economic reform, but it's awkward for the Government import/export corporations and a challenge to the country's policy of increasing exports to earn foreign exchange because it puts factories in competition with the government corporations.

And having made profits domestically, firms are resisting the Shanghai authorities' encouragement to increase exports.

The general manager of the Shanghai Import and Export Branch of China Silk Corp, Mr Liang Dongyao, acknowledged that the 20 weaving factories under his purview are less willing to export than they were.

"It is a problem," he told BUSINESS NEWS, adding that other provinces are having the same difficulties. The bulk of their products are for export, the amounts depending on the quality of products.

Lower-quality goods are all for domestic use. Some factories are dedicated to high-fashion, designer label products and export 100 percent of their output.

The central government will probably offer recalcitrant producers in many industries monetary incentives to push exports.

"Of course, China's customers will pay for this in high-priced goods," Mr Liang said.

Despite this internal obstacle, silk exports from Shanghai will increase by the end of this year, he said.

Shanghai's worldwide exports have increased consistently over the past five years.

U.S. purchases of the city's silk garment output doubled between 1982 and last year.

The U.S. accounts for 25 percent of the company's sales of silk and polyester, growing in value from U.S.\$5 million in 1980 to U.S.\$50 million last year.

As with every other sphere of textiles, American protectionism looms like a threatening cloud on the horizon. Legislation along the lines of the so-called Jenkins Bill would not only cut textile imports to 1980 levels, but also impose a quota on silk for the first time.

Shanghai is worried about such proposals. Its silk factories produce polyester and silk in nearly equal proportions. Asked what the passage of such a bill would do to exports of polyester, Mr Liu Xinghua, assistant manager of the fashionwear department, said it would "cut them almost to zero" because Shanghai sold very little polyester to the U.S. in 1980.

Neither manager wanted to speculate on the financial consequences for silk. "We have other markets," they said, "and would start exploring new ones." The company's biggest non-American customers are Italy, Switzerland and Japan.

New barriers erected by the U.S. would send the company to explore Western and Eastern Europe, the Soviet Union, and the Middle East and to try to increase penetration of Japan, where several designers already buy from Mr Liang's operation.

Shanghai silk producers make the traditional embroidered blouse seen in Chinatown boutiques and curio shops. "Peony" is the Shanghai silk Import/Export's own label.

Although these blouses require 60 hours of hand work for the embroidery alone, the government exporter sells them for about U.S.\$6 because the retail channel moves such a small volume. By contrast, high-fashion blouses sell for more than double the price.

Shanghai Silk also produces for such designers as Pierre Cardin, Valentino, Hana Mori, Liz Claiborn, Albert Nippon, Oleg Cassini, Yves St Laurent and Lloyd Williams, a blouse designer.

It maintains direct contact with department stores, such as B. Altman, Macy's Bloomingdales and Saks Fifth Avenue.

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HONG KONG MEDIA ON CHINA

REASONABLE WAGE PLAN DISCUSSED

Hong Kong CHIU SHIH NIEN TAI [THE NINETIES] in Chinese No 9, 1 Sep 85 pp 66-68

[Article by Yu Youhua [0151 0671 5478]: "The Difficulty of Wage Reform"]

[Text] In a country with 1 billion people, no policy can be applied universally. The latest wage reform plan is said to have been worked out meticulously by experts: no matter how you play with the numbers, cadres and non-production workers will receive no more than 18 yuan in extra pay on the average.

A Rapidly Changing Situation

Last June CHIU SHIH NIEN TAI published my article on wage reform in China, titled "Reform? Wage Increase? Well, Sort Of." The article, which was written in April, already became dated in May. In the middle of that month, an old friend of mine, who is with the secretariat of a vice governor in Guangdong Province, came to Hong Kong on a business visit. I asked him whether the plan to increase the basic wage by 40 yuan and institute a seniority wage had been implemented. I also queried him about the bid by the Guangdong Provincial CPC Committee to increase the basic wage in the province to 60 yuan. He said bluntly, "The plan is dead. None of us agreed with it." I asked, "Was it nixed by the CPC Central Committee?" He did not answer my question directly but said, "It just wouldn't work." When I again asked whether there was any new plan in the pipeline, he said, "There has been a number of ideas, but none is official." Since "none is official," I decided not to ask CHIU SHIH NIEN TAI to make any changes. Some good did come out of my failure to do so: my article now bears historical witness to the fact that it is not easy to hammer out or implement a new wage system in China and that like economic reform, it has run into all manner of difficulties. You need little imagination to see that in a country with 1 billion people, no policy can be applied universally.

Grade Wage: A Historical Burden That Would Not Go Away

Reports have it that China's earliest reform plan emerged only after a long deliberation process by the CPC Central Committee and was also the first plan to wind its way to middle-level cadres for discussion. Why then has it been brushed aside so casually?

The most distinctive feature of the plan was its rejection of the existing grade wage. In other words, it did away with the old system completely, preferring instead to start with a clean slate. Under this plan, a cadre's wage would be a combination of his "duty wage," which would be the main component, "basic wage," and "seniority wage." Most old cadres objected to the plan and the young, newly-appointed cadres were generally sympathetic with them. Thus fizzled out the first wage reform plan to be transmitted downward.

The first plan was a relatively radical reform scheme. In the long run, we should indeed make the duty wage the primary element in any wage structure. It is the only way to achieve the principle, "the harder you work, the more you earn." But this is unacceptable to old cadres because today a majority of them have retired to the second front, been put on "advisory committees" or left idle, while middle and junior cadres who are older than 60 are being forced to retire.

Most old cadres have nothing to do and will not accept any wage plan which contains this "duty wage" feature because it will mean a pay cut for them. As veterans, old cadres tend to flaunt their seniority and are given to grumbling. Some chide the CPC for "removing the bridge after crossing the river" and "getting rid of old cadres." One of their characteristics is that they generally occupy senior ranks and have been paid by their grade for decades. The switch to "duty wages" amounts to smashing their "gold rice bowl." There was a cadre who runs an agricultural machinery station. He was formerly in the army and served as director of a local coal bureau before being appointed to his present position. He declared loud and clear, "If they touch my battalion grade wage, I will fight it out with Old Deng!" Of course he was not going to fight it out with Deng Xiaoping, but he did voice a sentiment widespread among old cadres.

Amid this chorus of opposition by old cadres across the nation, the CPC Central Committee had no choice but to abandon the plan, wrought with so much painstaking effort. The Central Committee had to admit that the grade wage is a historical burden, clearly an anachronism which does nothing to help realize the principle, "the harder you work, the more you earn," but which cannot be entirely abandoned.

#### The Second Plan Was Soon Scrapped

If we refer to as Plan 1 the scheme which sought to substitute the original grade wage with "duty wage" and combine the 40-yuan basic wage with seniority wage, we may call subsequent proposals Plans 2 and 3.

Plan 2 was based on Plan 1 with some amendments. Instead of turning its back on "grade wage," it recognized it in order to mollify the old cadres. The plan was transmitted to the middle cadres (county CPC committees and Class 1 prefectural CPC committees) in late May and early June. Included in the plan was this bit of mathematics: add 10 yuan, subtract 40 yuan and then add 40 yuan. This applies to all cadres whatever their grade.

To illustrate, let us take the case of a Grade-17 cadre who now draws 103 yuan a month. Under Plan 2, we would add 10 yuan to his wage, subtract 40 yuan and

then add 40 yuan in basic wage. He would end up with 113 yuan, 10 yuan more than his existing wage. For old idle cadres, the plan would mean a marginal pay increase, and if we add the seniority wage, they would be collecting an additional 20 to 30 yuan or more. For those who still have work to do, the increase would be even more substantial, perhaps as much as 50 percent.

This plan certainly proved very satisfactory to old cadres who have little to do but have not reached retirement age. But since it also proposed to keep the duty wage of Plan 1, it would constitute a severe drain on the national treasury. The Central Committee would not entertain such an idea and moved quickly to kill it. In mid-June it circulated yet another plan, the "reasonable wage" plan.

#### What Is "Reasonable Wage"?

"Reasonable wage" is a funny term. When a local cadre first mentioned it to me, I did not follow him and asked in my bewilderment, "Does this wage suggest politeness? Is the government going to give the people a mere token pay raise, at the same time teaching them to raise their socialist consciousness?" The cadre roared with laughter, "The two characters are 'li' as in 'daoli' [6670 3810] and 'shun' as in 'shunli' [7311 0448]. Hu Yaobang coined this term. After RENMIN RIBAO spread the word about the wage increase, prices immediately shot up and the government found itself on the defensive. These days the central treasury is tightening its belt, but since the whole world now knows that there will be wage increases in China, for teachers and so on, the government cannot but increase wages. But if it follows through with the original plan, the burden will be more than it can bear. So the only alternative is to make reasonable adjustments. Each cadre, on the average, will get a raise of 18 yuan. Staff and workers are excluded; they will be dealt with separately from cadres. Have they formally adopted this plan? I do not know. But it does strike me as fair and reasonable. Plan 1 may seem reasonable from a reform point of view; it pegs wages to duties and realizes the principle, 'The harder you work, the more you earn.' But it is not fair since many old cadres do not have any duties these days. In my department, for instance, there are two old deputy heads who are unoccupied and one of them is two grades higher than me. Now that they have no duties, are we supposed to pay them only the basic wage plus seniority wage? Thus Plan 1 is reasonable but not fair. Plan 2, on the other hand, seems fair but not reasonable. For all of us, the higher our pay, the better, of course. But can the state afford it? Now we finally have a plan which is both fair and reasonable."

#### The Substance of the Reasonable Wage

The reasonable wage is based on the assumption that all cadres in the nation will each receive an extra 18 yuan on the average, as shown in the table below.

Reasonable Wage: A Plan Under Which Wage Increases for Cadres Average 18 Yuan Per Person (in yuan)

Grade	County chief	Deputy county chief	Section chief	Deputy section chief	Section worker	Office worker
17	122	113	103	98	98	96
18	122	105	96	91	91	88
19	122	105	88	84	84	81
20	122	105	81	77	77	74
21	122	105	74	71	70	68
22	122	105	68	65	65	62
23	122	105	63	60	60	56
24	122	105	62	60	60	56
25	122	105	58	56	56	52
26	122	105	58	56	56	52

As we can see from the table, the plan has the following features:

First, grade and duty wages are merged. It neither rejects nor totally affirms the old grade wage system. Instead it combines grade and duty, with emphasis on the latter.

Second, people in low grades who now have heavy responsibilities stand to benefit most from the plan. Most of the county chiefs or deputy county chiefs today are recent college graduates. Under the present system, they join Grade 22 after one year of postgraduate training and collect 57 yuan a month. (Many young college assistant professors are at Grade 22.) If they are appointed as county chiefs or their equivalents, they will earn 122 yuan a month. A cadre who was originally a Grade 25 will also collect 122 yuan when he is made county chief. So will a Grade 17 given a similar position.

Third, the combined duty and grade wage is designed to look after people in low grades. Take office workers, for example. Cadres at Grades 26, 25, 24, 23 and 21 now make 32, 38, 44, 50.5 and 63 yuan respectively. Under the new plan, they will make 52, 52, 56, 56, and 68 yuan respectively.

Fourth, at present every grade has its own specific wage. The new scheme combines Grades 25 with 26, and 23 with 24.

Fifth, under the new plan, the grade and duty wage of a deputy section chief (deputy bureau chief in a county administrative unit) becomes identical with that of a section member. The first plan divides the position of the office worker into five grades, a division absent from the latest plan.

Sixth, it makes it explicit that everybody under Grade 22 is an office worker.

Seventh, a Grade 17 cadre currently makes 103 yuan in grade wage. If he becomes a county chief, he will earn 10 yuan more. If he becomes a section chief, his wage will stay the same. If he becomes a deputy section chief or office worker, his pay will drop slightly. But his seniority wage will more than offset the decrease.



Apart from putting forward a "duty wage" described above, the plan also provides for:

1. Seniority wage: There will be 0.5 yuan extra for each year of service, so a person with 10 years of service will take home 5 yuan more each month, and so on. Under Plan 1, the first 5 years do not count as far as the calculation of seniority wage is concerned. Plan 3 makes seniority wage applicable to any length of service.
2. Special zone allowance: 25 yuan.
3. The plan keeps the "teaching seniority wage" for teachers: for every year he has taught, a teacher will receive 1 yuan extra per month.
4. Bonuses will vary with local circumstances.

#### The Feasibility of the Reasonable Wage

The reasonable wage is said to have been worked out meticulously by experts: no matter how you play with the numbers, cadres and non-production workers will receive a wage increase of no more than 18 yuan on the average. Not only will the Central Committee find it manageable, but the increase in the total payroll will not be substantial: assuming that there are 20 million cadres, it will cost the government only 360 million yuan a year, definitely not a burden for the treasury.

Second, since this plan does not harm the interests of senior cadres who have little or nothing to do, it will certainly encounter less resistance than Plan 1, perhaps even no resistance at all. For example, a Grade 17 cadre now collects 103 yuan. Even if he is performing no duties, he will still be paid 96 yuan. (People without any duties will be paid the same wage as office workers.) On the surface, he will be making 7 yuan less. But if we add the seniority wage and other allowances, his pay will certainly exceed 103 yuan.

Third, the new plan is a powerful incentive to new cadres. Many Grades 21 through 23 technicians with a college or technical education will see their wages shoot up once they are made county or bureau chiefs. Take a college graduate who has been working for a dozen years or so. He is now a Grade 22 and makes 57 yuan a month. Should he be appointed county chief or equivalent, he will earn 122 yuan under the new plan, so he has every reason to work hard.

Fourth, under the new plan, county chiefs and county CPC committee secretaries will make 122 yuan, a "handsome salary" for young cadres. But actually this was the average wage of county CPC committee secretaries in the past. Then most county CPC committee secretaries and county chiefs were veterans in high grades, usually Grades 14 and 15, although a minority were in Grades 16 and 17. There were also a few in Grade 12. Now 122 yuan is what a Grade 16 cadre made in the past. This figure is not too far removed from the wages of the masses (and certainly nothing compared to the earnings of a 10,000-yuan household), but it does constitute an incentive to young cadres.



Fifth, the plan makes it easier for old cadres to retire. There are actually two kinds of "retirement," and since many overseas readers often confuse one with the other, a little explanation is in order here. The first kind of retirement applies to cadres who took part in the revolution before 30 September 1949. After retirement, they will continue to collect their original grade wage in its entirety for life, plus an inflation allowance. Cadres who retired in 1984, for instance, receive an annual inflation allowance of 200 yuan, in addition to wages. The second type of retirement applies to cadres who joined the revolution after 1 October 1949. After retiring, they will collect 75 to 90 percent of their original grade wage for life, plus an annual inflation allowance.

Both groups of retirees will no longer be involved in deliberations on the reasonable wage plan. They will all receive an extra 12 yuan in addition to their original wages and allowances. Reports say that the duty and grade wage of a provincial governor amounts to the average wage of a provincial governor in the past, which more than doubles that of a county chief. From the above analysis, I believe this plan is highly feasible.

#### A Riddle

This article was finished and sent out by 3 July. On 6 July, however, the overseas edition of RENMIN RIBAO carried a piece of headline news which said that a new wage system was to be implemented. The report states: "The new wage system is a composite wage system, of which the dominant element is the duty wage." It does not mention the term, "reasonable wage." My initial conclusion was that I had been inaccurate in my article. I quickly called CHIU SHIH NIEN TAI and asked it to hold the piece. Later I visited the mainland again to verify my facts and found that what I had written was entirely correct. Verbal communications in the country still refer to it as "reasonable wage," a point which ZHENG BAN RENMIN RIBAO [RENMIN RIBAO, REGULAR EDITION]--that is, RENMIN RIBAO--failed to mention.

When people learned that their wage increase would average only "18 yuan," their enthusiasm cooled off considerably and many teachers and cadres did not even bother to go and hear "relayed reports." At the same time, I heard this story: teachers in Dongguan County came up with a riddle at the Cultural Palace--"Wage increase for teachers." Clue: a home appliance. It did not take long for somebody to solve the puzzle: "an air conditioner."

The government has been making noises about a pay raise since late last year. And it has long been public knowledge that the new wage scale for teachers would take effect on 1 January 1985, and that for cadres would take effect 1 July 1985. But so far there has been just talk and no action. Moreover, the increases in wages fail to keep up with inflation, so there is hardly any net increase. Hence the "air conditioner" joke, for "air conditioner" is homophonous with "empty talk." My observation, though, is that people still prefer a "raise to no raise at all."

Note: Liang Xiang's [2733 3276] salary is 480 yuan, not 580 yuan as reported in my article in the June issue.

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HONG KONG MEDIA ON CHINA

PRC FINANCE OFFICIAL GIVES REASSURANCE ON TIGHTER CREDIT CONTROLS

HK230357 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement)  
in English 23 Oct 85 p 1

[Article by Paul Sham]

[Text] Foreign bankers doing business with China should not be put off by Beijing's tighter controls on imported credit, according to a senior Chinese finance official.

The director and general manager of China International Trust and Investment Co (HK) Ltd, Mr Mi Guojun, also said it is too early for China to use Hong Kong as a base to obtain foreign capital for its modernization programs.

Mr Mi told BUSINESS NEWS the tighter credit controls are merely designed to put China's finances on the right track.

In addition to requiring prior written authorization from the People's Bank of China for any new foreign loans, the authorities are investigating credit extended in the first nine months of this year.

The move is intended as a safeguard against any "unnecessary" loans.

This investigation, running from mid-October to the end of December, will look at all levels of specialized banks, insurance companies, credit cooperatives, and international trust and investment firms in the country.

In a notice sent to these institutions, China's State Council said the investigation has been prompted by loose management and abuse of credit facilities.

Any company found violating the State Council's authorized credit line or involved in corruption and other illegal activities will be subject to heavy penalties.

"This is not a change of policy," said Mr Mi, "but putting what is wrong right."

He said foreign bankers should not doubt for a moment the consistency of China's policy because the fundamental thinking has not changed.

"That policy is to open the country to the world, and to seek foreign investment as well as advanced technology," he said. "Nothing can change this."

The present problem, Mr Mi said, has arisen because of a growing tendency in the country to want to earn quick money, rather than build up a healthy economy based on a solid industrial infrastructure.

"China's macro-economic development is being disrupted because fewer investments are being made to build up the country's infrastructure, where projects generally are time-consuming and show a low profit return, he said.

Much hard-earned foreign exchange has been drained off in return for setting up production lines for television sets and other consumer goods, while the construction of piers, power stations and railways has been neglected.

He stressed that the controls were simply an attempt to channel capital into more urgently-needed projects.

"Projects which are in the field of energy, transportation, communication and raw materials, as well as those categorized as advanced technology and export-oriented, will suffer no reduction at all," he said.

Referring to the construction projects which will be launched in the country's seventh five-year plan, he said the amount of business awaiting foreign bankers is enormous.

"It's just a shift in the nature of projects being undertaken, and not the market size," Mr Mi said.

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HONG KONG MEDIA ON CHINA

PRC MAINTAINS INSURANCE MONOPOLY IN SPECIAL ECONOMIC ZONES

HK250621 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement)  
in English 25 Oct 85 p 5

[Article by Paul Baran]

[Text] Fears of outside competition and a slump in foreign investment are the reasons behind Beijing's decision against allowing international insurance companies access to its special economic zones, a leading China insurance broker said yesterday.

"I believe it was the competition from outside insurers," said Marsh and McLennar's vice-president for North Asia, Mr C. T. Sha.

For the past several months, the People's Insurance Co of China [PICC] had been flirting with the idea of opening up the zones. Many international firms were queuing up in the hope of winning a slice of joint-venture insurance business in China.

Mr Sha said the PICC, which holds a monopoly on China's insurance business, probably felt foreign investors would be more likely to give their own country's insurance firms their business. Another factor, he said, was PICC's fear that foreign firms would offer lower premiums because their risk base is more evenly spread.

Mr Sha also believed the monopoly on domestic insurance now enjoyed by the PICC is unlikely to end because of the high capital base now required to start an insurance company.

Beijing requires life insurers to have at least HK\$7 million, \$10 million for non-life and \$17.8 million for both sorts of coverage.

"I just don't see any people in China with that sort of money."

Although individual provinces could afford it, Mr Sha said they would probably decide against setting up companies because of PICC's existing provincial branch network.

Ultimately, however, PICC is bound to go the way of the Civil Aviation Administration of China, which has had its air transportation monopoly broken up through the establishment of small regional carriers, he said.

Mr Sha blames the slowdown in outside investment in the special economic zones partly on the occasional wild swings in the country's economic policies, particularly the ongoing clampdown on foreign exchange.

Some potential foreign investors have also decided against entering the market after assessing the performance of existing ventures. Overall, however, this is "just a temporary adjustment," he said.

Insurance broking will continue to fulfill a valuable role in China's development, Mr Sha said, until the PICC matures and can deal with the foreign investors on its own. U.S. based Marsh and McLennan was the first broker allowed by Beijing to operate in China.

UK-based Sedgewick also operates in the country. Many foreign companies, particularly American, are more comfortable dealing with Marsh and McLennan than attempting to negotiate their way through the PICC bureaucracy, Mr Sha said. One of the PICC's biggest problems is establishing the premium for the coverage he said.

Because China's insurance industry is immature, PICC finds it difficult to assess the risk. "China has collected a lot of information from many countries, but that information might not apply to China," he said. There was no insurance in China from 1958 to 1979.

Another wrinkle is the loophole in the country's joint-venture law that allows the Chinese partner to operate without insurance. "This made it difficult for the (other) joint venture partners," Mr Sha said, explaining that many foreign investors are unwilling to deal with an uninsured partner. "It's still a constant battle to get the Chinese partner to take out insurance."

PICC wrote about U.S.\$650 million in 1982 and forecasts gross income of \$2.5 billion in 1990. PICC is reported to have earned 1.5 billion yuan (HK\$3.8 billion) on domestic and foreign business in this year's first half, up almost 70 percent on the same period last year.

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HONG KONG MEDIA ON CHINA

SHENZHEN CALLS HALT TO SETTING UP FOREIGN BANKS

HK260910 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement)  
in English 26 Oct 85 p 1

[Article by Paul Sham]

[Text] No more foreign banks will be granted permission to set up a branch office in Shenzhen this year, a senior executive of Shenzhen's central bank said yesterday.

Mr Luo Xianrong, general manager of the People's Bank of China, Shenzhen branch, said the city needs time to observe the operation of the four foreign bank branches already given permission to set up before having additional ones.

The four foreign banks already approved are the Hong Kong and Shanghai Banking Corp, Bank of Credit and Commerce International, Banque Indosuez and Standard Chartered Bank.

Mr Luo, also the director of the State Administration for Foreign Exchange, Control, Shenzhen branch, made his remarks after attending a banquet to mark the opening of the Bank of East Asia's representative office in Shenzhen.

He said in addition that talks between China and Japan over reciprocal arrangements are still dragging on without any breakthrough.

China is willing to have Japanese banks set up branches in Shenzhen, he said, but the problem is whether the Japanese have the same thought about letting the Bank of China's representative office in Tokyo be upgraded to branch status.

Although declining to forecast when the reciprocal arrangement will be made, Mr Luo hinted that it would not be resolved this year.

Mr Han Longlian, subcommissioner of the finance supervision division of the People's Bank, said the ball is now with Japan in solving the problems affecting the reciprocal arrangement.

He said complaints from Japanese banks about the difficulty in reaching an agreement on the issue are unfair.

A number of Japanese banks told BUSINESS NEWS the negotiations were bogged down because China insisted on allowing only an equal number of branches set up in each country.

This insistence created a problem for Japan in that the country has numerous banks interested in setting up branches in China, while Bank of China is the only bank in China authorized to establish branches in foreign countries.

Mr Han said this problem could be solved through negotiations, and [word indistinct] Chinese Government has such a policy.

Between now and year-end, he said, the city will be kept busy by the opening of four branch offices and four representative offices of foreign banks.

In addition to the Bank of East Asia's representative office, the other three are Royal Bank of Canada, Credit Lyonnais of France, and Fuji Bank of Japan.

Mr David Li, chief manager of the Bank of East Asia, told reporters the new representative office in Shenzhen is expected to be upgraded to a branch "very soon".

Because of the opportunities offered in China, he said the bank is planning to set up a branch or representative office in other cities as well.

Mr Li did not elaborate on the types of business and locations of new offices the bank will pursue in China in the future.

Bank of East Asia, incorporated in Hong Kong, currently has a branch in Shanghai.

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HONG KONG MEDIA ON CHINA

XIAMEN INTERNATIONAL BANK CHAIRMAN DENIES JOINT VENTURE PROBLEMS

HK280256 Hong Kong SOUTH CHINA MORNING POST (SUNDAY BUSINESS SUPPLEMENT)  
in English 27 Oct 85 p 1

[Text] The establishment of the Xiamen International Bank is progressing smoothly, according to its chairman, Mr Zhao Zongxin.

All parties have injected their [word indistinct] into the joint venture and approval to set up the bank has been given by the People's Bank of China and the Fujian provincial author-ties, said Mr Zhao.

He said the bank is registered with China's State Administration for Industry and Commerce.

Mr Zhao's statement followed a report in Friday's ASIAN WALL STREET JOURNAL that China's first banking joint venture is running into problems.

The JOURNAL reported that the Chinese partners had failed to meet a 30 September deadline to inject their initial stake, the equivalent of U.S.\$21.5 million, and that the bank has not been able to get approval to handle foreign exchange transactions.

Mr Zhao did not comment on the foreign exchange aspect but said the Bank of China has "given its fullest encouragement and support throughout the establishment of the bank."

The Xiamen International Bank involves Panin Holdings, a Hong Kong finance company owned by Indonesian interests, and three Chinese organizations--the Fujian branch of the Industrial and Commercial Bank of China, Fujian Investment and Enterprises Corp. and the Construction and Development Corp. of Xiamen Special Economic Zone.

Mr Zhao said the joint venture agreement was signed on 18 June and approved by the People's Bank on 2 August.

Panin's capital contribution is in the form of cash as well as its two subsidiaries, Panin International Finance Corp. of Hong Kong and Luso International Banking of Macao. "Accordingly, the shares in the two subsidiaries have now been formally transferred," said Mr Zhao.

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HONG KONG MEDIA ON CHINA

PRC URGED TO USE FOREIGN CAPITAL WISELY

HK290351 Hong Kong HONG KONG STANDARD (BUSINESS STANDARD Supplement) in English 29 Oct 85 p 1

[Text] China should properly use more foreign capital to import advanced technology and equipment to speed up its economic development and modernization.

Both China and foreign investors will benefit if they have closer contact, because China needs capital for its economic construction while some financial markets in the world are trying to expand their client base.

The message was contained in the keynote address by Mr Wang Chenggui, general manager of the Credit Department, Bank of China, Beijing (BOC) at a conference held in Hong Kong yesterday on "Financing Major Projects in the PRC."

Mr Wang noted that huge capital is needed for China's economic development and modernization, but the country's policy is that it should count on domestic capital while using foreign capital as a subsidy.

He said that for major projects requiring huge capital and long periods of construction, new financing methods could be used, such as the provision of project loans including foreign exchange loans for engineering projects.

He explained that in granting such loans the BOC has gone through four stages.

The first was a triangular relationship among the industry, BOC and the Foreign Trade Corporation (FTC) as the debtor, when foreign exchange was centralized and controlled by the state, he said.

Usually FTC started the project loans, bought the products from the industry, resold them to earn foreign exchange, and was able to guarantee debt repayment to BOC in foreign exchange with interest payment in RMB, [RENMINBI] he added.

The drawback of this arrangement, Mr Wang said, included the lack of autonomy for the manufacturers who were in the dark about consumer demand.

The second stage found the triangular loan system continuing to play a major role but the late 1970's and early 1980's saw a partial reform of the foreign trade management, Mr Wang said.

He said the foreign trade management structure was shifted from a centralized one for both operation and management to only centralized planning with "level-to-level" management, and BOC took that opportunity to modify its loan system.

BOC helped some enterprises which were able to manage the export of their own products, by financing their engineering projects, Mr Wang said.

He said that during the third stage direct loans became the major practice as China began in 1982 to reform the foreign trade management structure and decentralize its economic management power.

At the latest stage a more workable foreign trade management structure was formed in 1984, he said, with the separation of government administration from enterprise management.

The reform created a multi-level and multi-channel foreign trade network throughout the country, he added. This contributed much to the implementation of the open policy and enabled BOC to develop its direct loan system, he continued.

BOC has fully developed its direct loan system and enjoyed more autonomy and is using the direct loan system in granting foreign exchange loans for engineering projects, he said.

Where the triangular loan system is still used, it is the enterprise which starts the project loans, not the FTC, Mr Wang pointed out.

The project sponsors have to raise all the capital independently and are responsible for profits or losses, he said.

Mr Wang said the latest development is that loans are jointly granted by a few domestic banks or a consortium formed by BOC and foreign banks.

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HONG KONG MEDIA ON CHINA

INVOLVEMENT SOUGHT BY NEW INVESTMENT COMPANY

HK290447 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement)  
in English 29 Oct 85 p 1

[Article by John Mulcahy, financial editor]

[Text] An investment company aiming to put U.S.\$17 million directly and indirectly into China is being offered to institutions and the public this week.

The company, China and Eastern Investment Co, [CEIC] is the brainchild of Baring Brothers and Co, which will invest the bulk of the London-raised funds in Hong Kong and Japanese companies whose share prices are likely to be materially influenced by their mainland activities.

Subscriptions for shares in CEIC will be invited in London only, and Barings already has commitments for a total of 17 million shares at U.S.\$1 each.

Effectively, according to Mr Jonathan Compton, a director of China and Eastern, based in Hong Kong, the issue has been pre-placed and fully underwritten.

The issue opens and closes on Friday in London, and a full London Stock Exchange listing is likely to follow next week or the week after.

Major shareholders will include National Securities, Co, a Japanese securities house, with up to 10.1 percent, Prudential Portfolio, a unit of the UK insurance group of the same name, and Yamaichi Europe, each with up to 6.6 percent.

To add lustre--as well as a measure of mainland credibility--the company's advisory council will include two senior executives of China International Trust and Investment Corp [CITIC] in Hong Kong.

The appearance on the company's investment advisory council of the CITIC executives marks tacit approval, or at least acknowledgement, of China and Eastern by Chinese authorities.

It will also be of assistance when the company looks at direct investments in China, and particularly in developing local contacts in the country.

The institutional applications will be accepted in respect of at least 75 percent of the ordinary shares being offered.

The remaining 25 percent, or 4.25 million shares, will be available to the general public.

A warrant, attached to every five ordinaries, will carry the right, exercisable between 1 October, 1988 and 30 September, 1991, to subscribe for one ordinary share at the U.S.\$1 issue price.

CEIC's principal purpose, according to the prospectus, will be "long-term capital appreciation primarily through investment in companies with direct business involvement in the People's Republic of China."

Initially, about 75 percent of the gross assets will be invested in quoted Hong Kong and Japanese companies with continuing business activities with China, or which are believed to have a reasonable prospect of developing such activities within three years of making the investment.

The company is a partial venture capital project, and will remain relatively liquid in the early stages, but could become fully invested under the right circumstances.

About 15 percent of the gross assets will be invested directly in China by the end of the first year, in individual projects or unquoted joint venture companies formed outside the country for such purposes.

Although the new company will be managed from Hong Kong, and will have investments in local listed equities with a China bent, there are no immediate plans for a listing on Hong Kong exchanges.

It is likely, however, that this situation will be reviewed some time in the future.

One reason for going the incorporated investment route, as opposed to a unit trust, is the inhibition in terms of investment avenues imposed by the latter.

Restrictions on unit trusts limit the proportion of assets a fund may invest in any one company, as well as imposing strict conditions governing investment in unlisted entities.

Mr Compton said a degree of risk was accepted, and depending on developments in China over the next few years China and Eastern could increase its investment in the country beyond even the 30 percent target now envisaged for the first five years.

He said the underwriting institutions had accepted the basic premise that if China succeeds it will be good for the region, but that risk is involved.

He rated the chances of this eventually at only one in 10, however, and said the direct investment options would include sectors where foreign exchange was generated to facilitate repatriation of profits, and outside the "flavor-of-the-month" areas.

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HONG KONG MEDIA ON CHINA

SHENZHEN TO ESTABLISH ANTI-CORRUPTION BODY

HK300451 Hong Kong HONG KONG STANDARD in English 30 Oct 85 p 1

[Text] A high-powered authority will soon be set up in Shenzhen, to crackdown on the widespread corruption in the city.

The new anti-corruption body, however, will only handle cases in which non-party members are involved. Party members still come under the jurisdiction of the party's disciplinary committee.

The chief spokesman of Shenzhen municipal government, Mr Zou Erkang, yesterday told a delegation of the Hong Kong Journalists Association that the proposed government body will report directly to the city's mayor or vice-mayors.

Mr Zou explained that up to now there had been no authority responsible for investing corrupt practices among non-party state employees. He pointed out that on the other hand, the conduct of party members is monitored by the Commission for Discipline Inspection.

Mr Zou said: "We have the party commission to keep a tab on our members. But in this context there is little we can do about non-members, who are outside the jurisdiction of the party.

"Moreover, the public security department or its subordinate bureaus, unlike Hong Kong's police, are not authorized to investigate commercial crimes, nor any form of corruption connected with business transactions," said Mr Zou, who is also the secretary-general of the party organization in Shenzhen.

The anti-corruption body, he said, is being set up for the specific purpose of investigating. It will monitor its findings to the public security bureau which will be responsible for arrests.

In the meantime a working group was laying the ground work for the setting up of the new establishment. He hoped it would be formed with the least possible delay.

Mr Zou said the working group had visited Hong Kong's Independent Commission Against Corruption. But they will not copy the whole concept of the Hong Kong commission, although they had found a good many operations which could be put to use by the new authority.

The city's determination to crack down on corruption was prompted by the investigation into the Hainan Island scandal in August in which several leading officials were sacked.

The Hainan scandal involved high-ranking government officials, army officers and hundreds of companies who are reported to have been racketeering in the illegal imports of vehicles and consumer goods.

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HONG KONG MEDIA ON CHINA

AGREEMENT REACHED OVER CIVIL, COMMERCIAL WRITS

HK300525 Hong Kong SOUTH CHINA MORNING POST in English 30 Oct 85 p 15

[Article by Chris Yeung]

[Text] Hong Kong and Guangdong judicial authorities have reached an agreement on the serving of civil and commercial writs which could help solve commercial disputes that have cropped up between the two places in recent years.

The agreement, made during a visit by a team of top Hong Kong judges to Guangzhou earlier this week, will be introduced next March.

Both sides will review the agreement after another six months while considering extending it to criminal cases.

Discussions on the thorny problem began 18 months ago at the request of the Guangdong authorities--apparently in the wake of increasing commercial disputes between the province and Hong Kong.

Guangdong courts have had difficulties getting in touch with defendants and witnesses in Hong Kong involved in such disputes.

Commercial and contractual cases filed to the Guangdong courts have soared from a handful of cases in the late 70s to 200 each year.

Adding urgency to the matter has been the growing trade ties between Hong Kong and China.

Speaking to reporters at Hung Hom station yesterday, after a nine-day visit to China, the Chief Justice, Sir Denys Roberts said: "The agreement will bring more benefits to Guangdong. They may need this service in about 200 cases a year, most of which involve buying and selling of goods."

He said the Guangdong authorities were having great trouble in finding Hong Kong defendants and in getting them to acknowledge served writs, when disputes arise.

Sir Denys said: "I don't think it does our reputation any good if we have a lot of defendants in Hong Kong hiding away and ignoring reasonable documents."

Under the agreement, summons in civil and commercial cases issued by Guangdong courts to defendants or witnesses in Hong Kong, will be served by the Supreme Court here by registered post or handed by bailiffs, if Guangdong so requests.

The People's Supreme Court in Guangdong will likewise serve writs for Hong Kong courts to residents in the province.

The agreement does not involve any extradition, Sir Denys said. He said: "Those who are being served the writs and simply ignore them will only run the risk that the courts there will judge against them by absence."

Similar agreements have been made by Hong Kong with many other countries. In such cases, a plaintiff can put an announcement in the newspaper of the country of the respondent.

Alternatively, the "substituted service" is available when there are difficulties in locating the address of the respondent. Neither option is available in China's case.

Another member, Mr Justice Simon Li said "Political considerations" would be involved if the agreement was extended to criminal cases. He said such an extension would be a matter for discussions at a "higher level."

Sir Denys said they have had no similar plans to extend the services to other cities but there is the possibility that it will be extended to criminal cases.

He said the judiciary will have to make minor amendments on the existing laws governing court procedures and notify the legal profession of the agreement.

Sir Denys headed a delegation with another four supreme court judges at the invitation of Mr Ren Jianxin, deputy chief judge of the People's Supreme Court of China. The delegation, which included Mr Justice Garcia, Mr Justice Liu and Mr Justice Yang, visited Beijing and Xian before calling at Guangzhou.

Sir Denys said: "It was a professional visit by judges meeting judges. We didn't discuss the Basic Law nor any political subjects with Mr Ji Pengfei in Beijing."

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HONG KONG MEDIA ON CHINA

BANKER CLAIMS PRC READY TO CURB FOREIGN BORROWING, STATE INVESTMENT

HK300503 Hong Kong HONG KONG STANDARD (BUSINESS STANDARD supplement) in English 30 Oct 85 p 1

[Text] China will cut state investment and local level spending this year in an effort to curb the country's widening budget deficit and soaring domestic prices.

Chinese officials will also be more cautious following the fall in the country's foreign reserves since the end of 1984.

These predictions were made by a senior banker at yesterday's seminar on "Financing Projects in China" organized by the Institute for International Research.

Mr Jacob Tse, the Chinese division manager of Banque Nationale De Paris, said Chinese officials are likely to tighten credit in the provinces. He said he expected Chinese officials to stop foreign borrowing from commercial lenders. The country's financial planners are wary of foreign exchange risks, Mr Tse added.

This meant that they will probably borrow hard currencies like the Deutsche mark; the US-dollar, the Japanese yen and the Swiss franc that can be borrowed at lower interest rates, Mr Tse said.

China's confidence in managing foreign exchange can come only from accumulated experience in issuing or underwriting bonds, stocks and commercial paper, he added.

Noting that the China International Trust and Investment Corporation (CITIC) seems to be leading the way in this respect, Mr Tse said that this year CITIC came out with a 30 billion yen bond issue in January. It also issued a \$300 million bond in July and a 250 million mark bond issue in September, he added.

Mr Tse said that China can borrow more cheaply from official sources than it can from commercial sources, but institutions like the World Bank or the Organization of Economic Cooperation and Development (OECD) usually offer partial financing.

Such partial financing tends to be for infrastructural projects instead of commercial projects, he added. "In light of these limitations, China will try to generate revenue domestically and attract more foreign investment," he predicted.

"The country will continue to try to make exports pay for imports and will work to increase income from invisible industries like tourism and insurance," Mr Tse said. He also noted that China's target for the first 10 years until 1990 is to double the total value of its industrial and agricultural output.

Mr Tse said he expected the economic planners and bankers to:

- Concentrate on improving social and economic performance.
- Adjust industrial and product structures according to social demand.
- Emphasize the construction of energy and transport projects and encourage raw material industries.
- Accelerate the development of education in scientific, technological and business management skills.

Mr Tse predicted that China will maintain its open door policy in order to achieve the above goals.

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HONG KONG MEDIA ON CHINA

BRIEFS

YUAN DEVALUATION--Beijing, 29 Oct (AFP)--China's currency fell by a record of 6.05 percent against principal foreign currencies in the first 28 days of this month, according to official figures. The yuan equivalent of U.S.\$100 on 3 October was 300.83, but by yesterday this had fallen to 219.04, the state administration of exchange control figures showed. This rate amounted to a 63.61 percent devaluation of the yuan compared to October 1983 when one dollars was worth 1.95 yuan. Western economists here said the authorities were allowing the yuan to fall in order to make imports more expensive and boost exports. This would ease foreign-exchange problems for China whose reserves have slumped from 17 billion dollars at the end of last year to 10.6 billion dollars in June, they added. [Text] [Hong Kong AFP in English 1026 GMT 29 Oct 85]

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